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Opec tensions rise in run up to summit, Page 2

World news | Business summary

Moscow to extend its ban on N-tests

The Soviet Union said it would extend its moratorium on nuclear arms tests, due to end on March 31, as long as the US does not carry out any nuclear tests.

Mikhail Gorbachev said the Kremlin would also agree to on-site inspection to verify a nuclear test ban and that that would include allowing foreign inspectors on Soviet test sites.

In Geneva at the United Nations conference on disarmament, Soviet ambassador Victor Issraelyan proposed that an international agreement should be negotiated, to prohibit anti-satellite weapons in outer space and allow artificial satellites to circle the earth. Page 3

Blow for Shamir

Israeli Foreign Minister Yitzhak Shamir, scheduled to become prime minister next October, suffered a blow when the right-wing Herut Party convention broke up violently in Tel Aviv without endorsing him as leader. Page 4

Finnish strike

Key sectors of Finnish industry and all foreign trade came to a standstill when more than 240,000 workers went on strike for shorter working hours and higher wages. Page 3

Fishermen freed

Soviet authorities released five Danish fishermen accused of illegal fishing in the eastern Baltic after they agreed to pay a fine.

Strasbourg plea

The European Parliament called on exiled Philippine leader Ferdinand Marcos and Jean-Claude Duvalier of Haiti to return the fortunes taken from their countries.

Warsaw accused

The International Confederation of Free Trade Unions accused the Polish Government of ill-treating imprisoned members of the banned trade union Solidarity.

Raids suspended

The Sri Lankan Government said it would suspend air raids on northern guerrilla strongholds for a week and was prepared to talk with Tamil rebels. Page 4

UK seamen on strike

Many ships failed to sail from UK ports because of a 24-hour strike called by the National Union of Seamen to protest against plans to close a seamen's hospital in London.

More Ulster troops

Another battalion of regular troops is on its way to Northern Ireland, bringing the British Army's strength there to more than 10,000.

Palme arrest

Police in Stockholm arrested a Swede suspected of involvment in the murder of Prime Minister Olof Palme. The arrest was the first since Palme was murdered on his way home from a cinema last month.

Sinai site found

An Italian archaeologist said he had established the site of Mount Sinai, the holy mountain, where according to the Bible God gave Moses the 10 Commandments. Professor Emmanuel Anati said it was Har Karkom, an 850-metre peak in Israel's Negev desert.

Drug haul chase

Italian police said they had seized a boat carrying more than three tonnes of hashish worth $6m after a three-day chase.

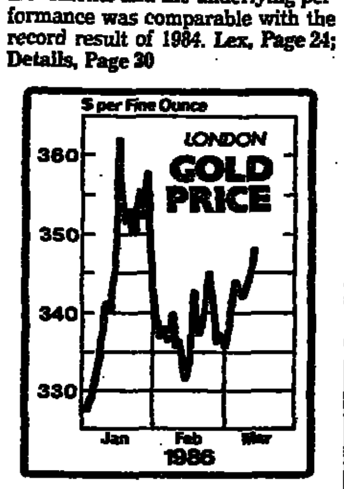
Freedom flight crash

A Czechoslovak was killed when his motorised home-made hang glider crashed as he tried to flee to the West. Another person was seriously injured in the crash near Brno. 50 km from the Austrian border.

Exxon and Chevron spending plans cut

EXXON and Chevron, two of the top four US oil companies, announced plans to reduce their 1986 capital spending by a combined $4.3bn because of the fall in oil prices. Page 25

ROYAL DUTCH/SHELL, the Anglo-Dutch oil group, suffered a 17 per cent fall in after-tax profits to £3.03bn ($4.4bn) last year. Much of the shortfall reflected currency movements and the underlying performance was comparable with the record result of 1984. Lex, Page 24; Details, Page 30



GOLD rose $3.75 an ounce in the London bullion market to close at $348.25, and in Zurich to $349.45 from $344.25. In New York the Comex April settlement was $349.2. Page 42

DOLLAR rose in London to DM 2.3955 (DM 2.2840) and FFr 7.06 (FFr 7.0275). It fell, however, to Y179.90 (Y180.25) and SFr 1.0320 (SFr 1.9340). On Bank of England figures, the dollar's exchange-rate index rose to 118.6 from 118.2. Page 43

STERLING fell against the dollar to $1.4594 ($1.4675). It also fell to DM 3.35 (DM 3.3525); FFr 10.305 (FFr 10.3125); SFr 2.82 (SFr 2.8375) and Y262.50 (Y264.50). The pound's exchange-rate index closed at 74.6, down from 75.2. Page 43

WALL STREET: The Dow Jones industrial average closed 8.26 up at 1,753.71. Page 50

LONDON: Caution set in after Wednesday's record rise but some equity leaders were able to consolidate recent gains. The FT Ordinary index closed 0.1 off at 1,349.7 and the FT-SE 100 index closed 7.8 lower at 1,616.7. Page 50

TOKYO: Higher margin requirements failed to subdue buying and the Nikkei average registered its seventh largest rise of 176.53 to close at 14,414.66, another all-time high. Page 50

US STEEL, leading American steel company, said it would take a $260m charge to reflect the declining value of energy inventories in its Marathon subsidiary. Page 25

BRITISH TELECOM increased pre-tax profits by £62m to £448m ($654m) in the third quarter. Rental income was up 11 per cent. Page 31

PININFARINA, Italy's family-controlled top car designer, plans to float 25 per cent of its shares on the Milan stock market. Page 25

NESTLÉ, Swiss foods group, reported a 17.7 per cent increase in consolidated net profit to SFr 1.75bn. Page 25

EUREKA: Britain is relaxing its rules on research funding, making it easier for UK companies to join the European technology programme. Page 24

JAGUAR, UK luxury car maker, increased worldwide sales by 15 per cent in 1985 and lifted pre-tax profits by £29.8m to £121.3m ($177m). Lex, Page 24; Details, Page 30

ROWNTREE MACKINTOSH, UK confectionery and foods group, made pre-tax profits of £79.3m ($116m) last year, £4.8m more than in 1984. Analysts had forecast a £75m surplus. Lex, Page 24; Details, Page 30

BORREGAARD and Orkla Industrier, leading Norwegian concerns, announced discussions aimed at a merger. Page 25

World Bank set to agree $1bn loans for Latin America

BY STEWART FLEMING IN WASHINGTON

THE BOARD of the World Bank is set to approve loans of close to $1bn for four Latin American countries, including a $350m agricultural loan for Argentina linked to economic-policy reforms.

According to officials in Washington, the agricultural-development loan for Argentina is particularly significant. If as seems likely, the board is asked to approve it at a meeting on March 25, it implies that the World Bank is satisfied with the medium-term economic plan it has been negotiating with Argentina and with the specific economic reforms that Argentina says it will implement in return for the funds.

Those reforms call, among other things, for lowering taxes on agricultural exports and reducing import restrictions on fertilisers.

From the World Bank's point of view approval of such lending packages will be seen as evidence that it is responding to the call by Mr James Baker, US Treasury Secretary, last October for the multilateral development banks to increase significantly their lending to the group of 15 middle-income developing countries, including 10 in Latin America.

Bank officials have been worried that unless they significantly increase the level of lending this year, they will again face criticism. Last year, a row arose among the board when it emerged that loan approvals for 1985, which finally totalled $11.4bn, would fall below 1984's level of $11.9bn.

Mr Barber Conable has been elected president of the World Bank, replacing Mr A. W. Clausen, who announced his intention to resign last October. Mr Conable, aged 63, is a former top-ranking Republican on the House Ways and Means Committee.

Other countries set to benefit from the loan plan are Mexico, Colombia and Ecuador.

The loans to Mexico, however, are quite different from the Argentine loan because they are associated with last year's earthquake rather than with the negotiations currently in progress between Mexico and its creditors about its 1986 financial needs.

In Washington, officials are tight-lipped about the talks and the Treasury is still officially denying that the US is preparing an emergency aid package for Mexico.

Little progress appears to have been made in talks between the two governments over the past three weeks, including four top-level sessions involving Mr Baker, Mr Paul Volcker, the US Federal Reserve Board chairman, and Mr Jesús Silva Herzog, Mexican Finance Minister.

The US Government has been insisting that Mexico undertake wide economic reforms in return for new money. But officials said yesterday that they detected little evidence of movement in Mexico since President Miguel de la Madrid hinted vaguely in a speech last month that some reforms were under consideration.

Some in Washington suggest that the delaying tactics Mexico is adopting might help to strengthen its negotiating position as the day approaches when it is unable to pay its debts.

In congressional testimony on Tuesday, Mr Baker played down the differences between the two countries, saying of negotiations with Mexico: "There is a desire on the part of all parties to work towards resolution of the problem in the usual manner." He added: "I think it is important that we demonstrate we want to help [Mexico]. They have got to be helpful.

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Venezuela lowers horizons, Page 5

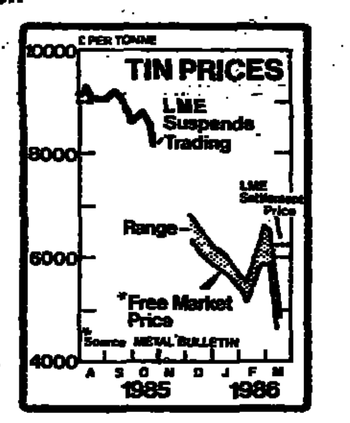
LME chairman's group to quit trading floor

BY STEFAN WAGSTYL IN LONDON

PHILIPP & LION, a metal trader headed by Mr Jacques Lion, chairman of the London Metal Exchange, is quitting the exchange's trading floor in the wake of the tin crisis.

Philipp & Lion, a partnership founded in 1909, yesterday announced its plans to resign its ring-dealing membership as other traders counted the cost of the crisis, after the failure to negotiate a settlement with the International Tin Council, which has defaulted on its £900m ($1.3bn) debts to banks and metal brokers.

S. & W. Berisford, the parent company of LME member J. H. Rayner (Mincing Lane), raised the extraordinary provision it has made for its tin crisis losses from £10m to £35m. Dalgety, the food group that owns LME trader Gill and Duffus, announced a £25m extraordinary provision, saying that amounted to 7.5 per cent of shareholders' funds at the end of December 1985. Noranda, the hard-pressed Canadian mining company, disclosed a C$34m (US$24.3m) loss, incurred by its LME company, Rudolf Wolff.



The companies have been able to quantify the bulk of their losses after the LME authorities settled all outstanding tin contracts at a fixed price of £6,250 a tonne on Wednesday and closed the tin market for good. The "ring-out" set at some £140m the total loss incurred by 13 LME ring-dealing members on ITC contracts, although another 11 trading companies shared a further £40m loss.

In addition, groups left holding tin stocks, among them Dalgety and S.&W. Berisford, have had to provide for the fact that the metal is not worth £6,250 a tonne. The market price yesterday slipped to between £4,650 and £4,800 a tonne, the lowest since 1976.

At Philipp & Lion, Mr Lion said the company had previously considered leaving the ring to concentrate on its international scrap-metal business and the tin crisis had been "the last straw." Mr Lion intends to remain LME board chairman.

The firm's withdrawal, to be completed by the end of the year, means that the LME will have lost four of its 28 ring-dealing members

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Commodities, Page 42

Mandela sees Commonwealth team

BY J. D. F. JONES IN LONDON

MR NELSON MANDELA, the imprisoned black nationalist leader, has been allowed to meet the group of Commonwealth statesmen who are seeking "dialogue" in South Africa.

The seven-member team of "eminent persons", which has been in the Republic since the beginning of the month, saw the African National Congress (ANC) leader on Wednesday, apparently in Pollsmoor Prison near Cape Town, according to reliable sources in South Africa. The team later met the South African president, Mr. P. W. Botha.

Sanctioning the meeting between the Commonwealth group and Mr Mandela is the nearest the South African Government has come to implicitly endorsing the ANC leader's status as one of the leading political figures in the Republic. It will also be seen as an acknowledgment that should the "dialogue" between black and white being sougth by the Commonwealth get under way, Mr Mandela will have a role to play.

The Commonwealth team, set up after the Commonwealth summit in Nassau last October, is expected to leave South Africa today, having achieved one of the main objectives of their visit. They are now expected to draft a report on their visit and present it to a special meeting of seven Commonwealth heads of government in June.

The team comprises Mr Malcolm Fraser (former Australian Prime Minister), Lord Barber (former British Chancellor of the Exchequer), General Olusegan Obasanjo (former Nigerian head of state), Mr John Malecela (former Tanzanian Foreign Minister), Dame Nita Barrow of Barbados, chairperson of the World Council of Churches, Archbishop Edward Scott, primate of Canada's Anglican church, and Mr Swaran Singh (former Indian Foreign Minister).

The group has also visited other states in the region, including Botswana, Zimbabwe, Angola, Mozambique and Zambia, where it met officials of the ANC, including the president, Mr Oliver Tambo.

If its report comes to negative conclusions about the prospects of peaceful change and racial dialogue in South Africa, Mrs Margaret Thatcher, the British Prime Minister, is certain to come under heavy pressure in June to support a Commonwealth package of sanctions against the Republic.

It was largely due to Mrs Thatcher's firm opposition in Nassau that the final communique fell short of the comprehensive economic sanctions demanded by most member countries.

Although selective sanctions were marginally strengthened – such as a ban on the import of krugerrands – members agreed instead to mount a Commonwealth diplomatic initiative which sought to en-

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GM loss in Europe rises sharply to $372m

By Kenneth Gooding, Motor Industry Correspondent, in London

GENERAL MOTORS' net loss in Europe, where it owns Opel in West Germany and Vauxhall and Bedford in the UK, increased sharply to $372.1m last year from $291.1m in 1984.

The group, which is hoping to buy Land Rover and Leyland Trucks from state-owned BL in Britain, ended 1985 with borrowings and other liabilities in Europe totalling $765.7m more than its assets.

The results show starkly how conditions differ in the North American and West European markets. GM is the world's largest automotive group but its strength comes mainly from the US, where it controls more than 40 per cent of the new-car market.

Last year, its worldwide operations produced net profits of $4bn, down from $4.52bn, on sales up from $84bn to $96.4bn.

GM's net sales in Europe increased from $6.98bn in 1984 to $7.94bn last year.

The group is extensively reorganising its car operations in Europe. It has set up for the first time an organisation, based in Zurich, Switzerland, to co-ordinate its subsidiaries in 17 different countries, similar to that of Ford of Europe.

GM is obviously concerned that, although its car sales in Europe reached a record 1.21m last year, it is still suffering substantial losses, particularly as Ford, its chief rival, increased its European net profit last year from $147m to $326m.

Since 1980, GM has boosted its penetration of the West European car market from 8.7 per cent to 11.4 per cent, but over the same period its net losses in the region have reached nearly $2bn.

Opel has already disclosed that it suffered another loss in 1985, but not as great as the DM 965m ($302m) for 1984 when the company was badly affected by the West German metalworkers' strike.

Vauxhall has warned that its 1985 loss will be greater than the £9.4m ($13.7m) in the previous 12 months.

There has been no indication, however, whether Bedford improved its position after a record £62.4m loss in 1984.

GM hopes to improve Bedford's situation by merging it with Land Rover-Leyland but that process would take some time.

The US group's European results this year will benefit from the recent acquisition in the UK of Lotus, the sports-car and specialist engineering company.

Ford Europe head quits, Page 25

Swift decisions expected on N-power in UK

BY DAVID FISHLOCK AND MALCOLM RUTHERFORD IN LONDON

THE BRITISH Government is preparing for speedy decisions on its nuclear power programme, after the expected delivery in September of the inspector's report on the public inquiry into Sizewell B, the UK's first proposed pressurised water reactor.

The Government's decisions might lead to the approval of four or five stations based on the Sizewell B design early next year.

This design is a British version of the American Westinghouse pressurised water reactor (PWR), adapted to meet UK safety requirements.

Mr Peter Walker, Energy Secretary, told Parliament yesterday that he was preparing resources for "an urgent examination of the report," now promised by Sir Frank Layfield, the inquiry inspector, for delivery in September.

It is understood that Sir Frank has reached his main conclusion but is drafting his report – expected to contain more than 100 chapters – in such a way as to anticipate and answer all possible questions.

The Government now perceives the inquiry, which took more than two years to conduct and a further 18 months to write up, as a generic inquiry, applicable to all nuclear stations of the Sizewell B design.

Subsequent replication of the 1,150MW Sizewell B design – for example at Hinkley Point in Somerset – is seen as a matter for a site-specific inquiry that examines only local objections.

In that way, the Government hopes to secure rapid consent for a new nuclear-power programme for England and Wales of up to 6,000MW of power.

The programme is needed partly to replace power from the Magnox first-generation nuclear stations, the first of which reach the age of 30 in 1992.

Lord Marshall, chairman of the Central Electricity Generating Board (CEGB), warned a House of Lords select committee yesterday of the growing urgency of getting a decision on Sizewell B.

Failure to accelerate nuclear decision-making might drive Britain into "building a multitude of cables under the Channel to take advantage of the successful French nuclear programme," he told peers investigating European nuclear energy co-operation.

Last week, the peers learned from Mr Remy Carle, in charge of building 20 Westinghouse-based PWRs for Electricité de France (EdF) – in addition to 39 already in service – that France was exporting to all neighbouring nations and had begun to send power to Britain.

Britain is buying French electricity for about 25 per cent less than the generating cost of the CEGB, which has only 17 per cent nuclear electricity, compared with nearly 60 per cent for EdF.

Lord Marshall said British elec-

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UK nuclear policy under scrutiny, Page 23

Soviet space launch shown live on TV

BY OUR MOSCOW CORRESPONDENT

THE SOVIET Union sent two veteran cosmonauts into space yesterday to open up the world's first permanently manned space station.

It was the first manned space shot since the US space shuttle Challenger exploded on January 28 and was televised live in Moscow, the first such transmission of an all-Soviet mission.

Cosmonauts Leonid Kizim and Vladimir Solovyev, who set a 238-day space endurance record aboard the Salyut-7 space station in 1984, lifting off aboard Soyuz T-15 in a faultless lauch.

The contrast between yesterday's pictures from the Baikonur Cosmodrome in Kazakhstan and the lingering memory of Challenger exploding enabled the Soviet Union to show off the successes of its space programme to audiences at home and abroad. US television networks broadcast the launch pictures live on breakfast shows.

Col Kizim, 44, and Mr Solovyev, 39, will rendezvous in two days' time with the space station Mir (peace), launched on February 20, the official newsagency Tass said.

Reporting of the docking date was highly unusual for the normally secretive Soviet space programme and may augur more openness about space shots in the future.

Tass said the cosmonauts would dock at one of two major ports on the space station, which can act as a base for up to six craft at one time – two spaceships and four more specialised probes for space research.

CONTENTS

Poland presses for credit from West

By Christopher Bobinski

POLAND IS still looking to Western *governments* and commercial banks for credit this year in the wake of the agreement, *initialled* last week with the Paris club of creditor nations. That accord rescheduled $2.4bn worth of payments falling due to Western *governments this year.*

Mr Zbigniew Karcz, Poland's top financial negotiator, said here this week that the rescheduling programme *can be made to work* on the assumption that Western governments provide $750m-$1bn in fresh credit this year. At the end of 1985, Poland's Western debt stood at $29.3bn.

Two meetings with commercial banks this year have been devoted to exploring the possibility of new credit, Mr Karcz confirmed.

"With our application to the International Monetary Fund now well on its way and the Paris club agreement initialled, the path to new bank credits should be easier."

He saw "no organisational or technical reasons why Poland's application should *not be voted on within the* next few months." He added that Warsaw had not objected to the *SDR 700m (£539m)* quota proposed by the IMF for Poland.

Referring to Western government demands that Polish debt service policy should favour government and banks equally, Mr Karcz said: "Our government is interested in the same thing as the Western governments.

"Even though the banks *were the first to resume* credit talks after martial law in 1982, they have indeed been sparing in their provision of fresh credit since then, even though Poland has regularly met all its commitments" he said.

Western commercial banks are expecting Poland to pay some $1.5bn in capital and interest payments this year. The governments, despite the *rescheduling, will also* be paid "more than $1bn" this year, said Mr Karcz.

This includes $600m arising out of rescheduling 1981 debts, interest on 1985 obligations, and part of the interest on other rescheduled payments.

Gonzalez wins Nato victory, but at some cost to his reputation

BY DAVID WHITE IN MADRID

"EVERYTHING READY for the ceremony of confusion," proclaimed the extreme-right daily newspaper El Alcazar on the eve of Spain's Nato referendum. The newspaper *had joined* the far left in calling for a "no" to staying in the alliance. If that option had won the day on Wednesday, El Alcazar might *for once have hit the nail* on the head.

Instead, afer a vote which gave the Government a 13-point advantage for maintaining Nato *membership, Spain's political* scene is suddenly and unexpectedly serene.

"The Nato issue is now buried once and for all," said *a Socialist policy-maker* yesterday. "That is very *important,* including from the right's point of view." In the sense that it has successfully closed the divisive Nato debate, the referendum—despite the wear-and-tear it has caused in party *politics* can be claimed to have served a purpose.

A "*no*" vote would have opened a period of great uncertainty with regard both to Spain's international relations and to the future of the present *Government.*

Although both the right, with its abstention campaign, and the anti-Nato movement have claimed a moral victory because 40 per *cent of the electorate* did not vote, Mr Felipe Gonzalez has demonstrated that after more than three years as Prime Minister he is still head and shoulders above his political rivals.

The referendum—an event of his own creation, following his earlier opposition to Nato—turned into the biggest *hurdle* of his career. The huge last-minute swing in favour of membership was undoubtedly his doing more than anybody's.

However, the remarkably easy margin by which he won (53 per cent to 40) could be an invitation *for* a backlash vote against him in the general election later this year. Mr Gonzalez himself had begged the voters who wanted to punish him for his record in government to do so in the election and not in the *referendum.*

SPANISH STOCK markets, already riding on the worldwide surge in prices, reacted to the referendum result with records for daily rises yesterday. The Madrid general index climbed 6.78 points to show a 50.23 per cent rise since the beginning of the year. Even stronger increases were shown in Barcelona 7.49 points), Valencia (9.53) and Bilbao (12.71).

The biggest pro-Nato response came from Socialist-controlled regions of southern Spain—Castilla-La Mancha, Extrema*dura and Mr Gonzalez's own* Andalucia—where "yes" votes outnumbered the "noes" by two to one. On *the other hand,* the Government received a warning from the industrial regions of Catalonia and the Basque country which, along with Navarre and the Canary Islands, showed their resentment of central administration policies *by* producing "no" majorities.

The overall result reflects not so much real feelings about Nato as the commonstnse reflexes of the *Spanish electorate,* which in the past 10 years of democracy has consistently voted to keep the country away from the threat of instability.

The sharp contrast between pre-election polls, which gave a majority of six or more points against *Nato, and the actual re*sult does not necessarily mean the pollsters botched their job. In part, it shows the difference between the opinion people express and the way they finally vote.

Negative opinion polls probably helped, in fact, to bring out the pro-Nato vote, amid fears that a "no" *result* might serve the ends of anti-democra*tic forces* in Spain. The 6.5 per cent of blank ballots may have included *numerous* Socialist voters, opposed to *Nato, who* (rather than allow themselves to be counted among the abstainers of the right) withheld their vote at the last moment.

The *Government* used all its big guns and every argument it could marshal—even that leaving Nato would affect "our way of life as citizens"—to win the day. The peace movement can justifiably claim it was not fighting on equal terms.

It would be *logical* for the Government now to wait until the autumn, when its *four-year* mandate expires, to hold the general election. This would *give it time to heal some of the* wounds in the Socialist camp. Many supporters gave their votes only under duress, and others voted against Nato—including Mr Nicolas Redondo, leader of the UGT trade union and a Socialist MP.

By converting the party majority to Nato, Mr Gonzalez has completed the process of bringing it into the European social-*democratic* mainstream. But he is not undamaged by his own about-turn in the issue, and the suspense of the referendum will have ben a sobering experience.

The leading Madrid daily newspaper, El Pais, said yesterday that the Socialist party should not be carrying its head high but asking "forgiveness from a country which it forced to go through something it did not deserve." *Echoing* this sentiment, the pro-Nato Diario 16 said the "yes" vote had been achieved at an excessive cost.

In a bid to repair divisions, *Mr Gonzalez has proposed* a post-referendum political consensus on peace and security policy. *He is now* duty-bound to stick to the conditions which *he attached to the Nato vote.* By remaining outside the alliance's integrated military command structure, Spain will keep its distance from the rest of Nato.

The Government can be expected shortly to propose ratification of the nuclear non-proliferation treaty. Mr Gonzalez has promised to maintain the ban on *having* nuclear weapons in the country. Ratifying the treaty would be the first time Spain has formally renounced the possibility of *developing its own nuclear* weapon capacity.

As the pacifists, Communists and far left now turn their attention to Spain's US bases, the *Government* will be under pressure to *obtain* significant reductions in the 12,000-strong American military presence. Negotiations with the US are *due to start before the summer.* Having pinned the referendum to this promise, Mr Gonzalez *now has to deliver.*

David Marsh in Paris charts the election chances of two members of the famous French Dassault family

Man with the magic name has no need to campaign

FRENCH ASSEMBLY ELECTIONS

MR MARCEL DASSAULT has all the necessary qualities to in*crease his normal comfortable* margin of victory in Sunday's French general elections — *wealth,* fame, extraordinary success in building very fast aeroplanes and a surrealistically simple set of solutions for beating unemployment.

Most of all, demonstrating the life-long panache which has won him admiration across the political spectrum, he steadfastly refuses to die.

At 94, *the* founder *of* the world-famous milittary jet-maker which bears his name and *in which he still has a 49* per cent stake is the oldest and probably most predictable candidate. Now that he is no longer merely a legend but has entered the realms of *mythology,* Mr Mr Dassault does not need to campaign. He simply exists.

Election posters in the Oise region north of Paris—where Mr Dassault is heading the combined right-wing Opposition list —refer neither to the RPR nor to the UDF party. They simply bear the Dassault name and the cranial, bespectacled features of its owner in bow-tie and blazer encrusted with the Grand-Croix *de la Legion d'Honneur,* France's highest decoration.

Aides say that Mr Dassault is already working on the traditional doyen's speech to open the next session of the National *Assembly. The speech with its* equally traditional quixotic references to the need for Gaullist-style national unity and rebirth of the French motorcycle industry, is likely to be little different to the ones he made in 1981 and 1978, they add.

Mr Dassault is certain to be re-elected to his Beauvais seat, which he has held since 1958. He will probably be joined in the Assembly this time by his son, Serge, a mere 60 and long overshadowed by his celebrated *father but a captain of industry* in his own right. He seems likely at last to succeed in a decade-long fight to win election in Essonne south of Paris.

The *parliamentary elevation* of the Dassaults shows that as in many other democratic countries, money can buy political power. If confirmation were needed, it is provided by the uncompromising figure of Mr Robert Hersant, the right-wing *press magnate* who is campaigning as number two on Mr Dassault's list in the Oise.

But the Dassaults also show that in a lacklustre election *campaign,* candidates offering voters personality and genuine concern for local issues have an appeal which marks them

Son Serge (left) and father Marcel . . . this time a successful double act.

off from the party herd.

The proportional representation system brought in by President Francois Mitterrand to try to complicate the right's *chances of winning an absolute* majority in the National Assembly has encouraged left and right to nominate faceless candidates from the party *hierarchy for safe departmental* seats.

Under the previous system voters were asked to choose local deputies with close knowledge of their constituencies.

Mr Serge Dassault, the chairman of the highly profitable *Electronique Serge Dassault* military and civil electronics company, which gives work to about 80 companies in the Essonne, tirelessly capitalises *on the Dassault name in his* well-financed election campaign.

A butcher with fingers like sausages who had just finished talking to him during an *elec*toral walk-about in the Arapjon market in the centre of Essonne last week was however unsure of the exact relation *between the candidate and his* famous father.

Serge claims to be an economic liberal but offers a string of interventionist *inducements — including full-*hearted support for farmers, small shopkeepers, artisans, mothers, train travellers and architecture lovers in his elec*tion platform.*

Not surprisingly for a member of a family which has made a fortune out of arms contracts, Dassault junior also calls for a *lifting of all weapons* embargoes outside the Soviet bloc and a significant increase in French defence spending.

But it is his local appeal at *the head of a dissident right*-wing grouping which is likely to give him around 10 per cent of the departmental votes on Sunday — enough, under the *PR system,* to join *his* father in the Assembly.

As befits a man who has outlived many younger Oise political stablemates, Marcel *has neither need, desire nor* capacity for election walk-abouts. His one planned personal appearance in the *campaign, at a meeting in* Beauvais on Monday night, was called off because he had flu.

That did not stop Mr Jacques Chirac, the RPR *leader and most probably the* next French Prime Minister from raising prolonged applause from the noisy crowd in a circus tent when he paid homage to the *magic name.*

A few hours earlier, outside *in the March sunshine,* there was no doubting the attachment of the people of Beauvais to the man who, *over the past few* decades, has poured millions of francs into constructing parks and swimming pools, dispatching cheques to local clubs and *sending* voters regular copies of his nostalgia, gushing glossy magazine, Jours de France.

Out of 12 local people randomly stopped in the street only one said anything *unkind about* Mr Dassault—although several thought he might be getting a bit old for the job.

"He's a good deputy—he *sends packages to old people,*" said one lady, herself getting on in years, helping a friend to trundle an antiquated wooden shopping trolley outside the *cathedral.* "*He's better* than some half his age—alas."

Even two girls voiced approbation for his good works. "He has built a swimming pool—no, two," said one. "He's old, but *not senile,*" said the other—proof that, as France prepares for a change of government, genteel paternalism is still a force to be reckoned with.

FINANCIAL TIMES

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EUROPEAN NEWS

Call to pass on benefits of cheaper crude

ECONOMIC policy officials from the main industrialised countries agreed in Paris yesterday that the benefits of cheaper crude oil needed to be passed on to consumers through cuts in petrol prices, in order to stimulate world growth; **David Marsh reports.**

Sir Geoffrey Littler, second Permanent Secretary at the UK Treasury and chairman of the Organisation for Economic Co-operation and Development's Working Party Three committee, said countries with "acute fiscal deficit problems" should make use of falling oil prices to raise taxes on petrol.

But the general consensus among Working Party Three delegates from the top 11 industrialised countries was that the oil benefits should "feed through" directly to consumers, he said.

French jobless fall

French unemployment declined by 0.4 per cent last month on a seasonally adjusted basis according to the Labour Ministry, writes Paul Betts. There were 2,367,000 people looking for work in February or 10,500 less than at the end of January. "Unemployment has now been stabilised for the past 18 months," the Ministry claimed.

Exchange controls

France is now in a position to abolish exchange controls to help create a unified European monetary market, according to Bank of France Governor Michel Camdessus, **Reuter reports from Paris.**

M'Bow opposed

EEC countries have decided to try to block Mr Amadou Mahtar M'Bow's bid for a third term of office as director general of Unesco, Western diplomats told AP in Paris. His mandate expires next year.

Many Western nations have criticised Mr M'Bow for mismanaging Unesco and supporting programmes with an anti-Western bias that led to withdrawal by the US and Britain.

Brandt inquiry

State prosecutors in Bonn said yesterday they were considering opening a formal investigation into whether Mr Willy Brandt, former West German Chancellor and chairman of the opposition Social Democrats, lied to a parliamentary committee in late 1984 when he said his Party had never received funds from the Flick industrial group, Peter Bruce writes from Bonn.

Greek strike warning

Greek industry has warned that a nationwide lorry drivers' strike, which entered its 24th day yesterday, is starting to affect production in many sectors, writes Andriana Ierodiaconou in Athens.

Stoppage averted

The Cyprus Government has averted a series of strikes and lock-outs over the issue of cost of living allowance payments, **writes Andreas Hadjipapas in Nicosia.** A special committee is to study the indexing of wages and salaries and report back by next September.

French agree on financing for TV satellite system

BY PAUL BETTS IN PARIS

THE FINANCING programme for France's direct broadcasting by satellite (DBS) system was completed yesterday clearing the way for the launch of the first satellite, TDF-1, by an Ariane rocket in November and of the second, TDF-2 in mid-1988.

Mr Francois Schoeller, chairman of Telediffusion de France (TDF), the state broadcasting agency, said the Government had agreed to consolidate FFr 440m (£44m) of loans advanced earlier to TDF and that DBS customers would advance FFr 240m.

The programme, launched in 1981, will have cost FFr 2.69bn of which FFr 1.14bn is in state subsidies or capital grants. Without this state support the DBS programme would never have got off the ground, said Mr Schoeller.

TDF believed, however, that the second generation of satellites would be economically viable on its own. This would involve an investment of FFr 3.78bn starting around 1990.

Four of the five television channels have now been assigned. A European consortium, including Mr Robert Maxwell, Mr Silvio Berlusconi, Mr Jerome Seydoux and the West German Kirsch group, has been given two channels. Another will go to the new French private Channel Five.

The fourth channel will go to the French cultural network, SEPT, while CLT, the Luxembourg broadcasting group, has been offered an option for the fifth. The first four are expected to come on the air next February; the fifth will start broadcasting after the second satellite is launched.

The commercial operators have a 17-year contract with an option to withdraw after eight years. The rental cost for each will be FFr 55m annually for the early years, rising gradually by the twelfth year to FFr 127m. The latter rate would enable the system to operate without subsidies, Mr Schoeller said.

The broadcasting groups have also agreed to invest about FFr 200m by 1989 to support the development of reception aerials for viewers. Most of Western Europe and part of the North African coast will be able to receive programmes from TDF-1 through dish ariels.

Mr Schoeller estimated an aerial would cost about as much as a video cassette recorder.

US super-computers for Germany, France

BY PAUL BETTS IN PARIS

THE UNIVERSITY of Stuttgart in West Germany will be taking delivery later this year of the first model of the US Cray-2 super-computer to be sold outside America.

Cray holds an estimated 70 per cent of the world market for very high-powered computers.

France will take delivery of its first Cray-2 in November at a scientific research centre south of Paris run by the Ecole Polytechnique and used by a variety of organisations for industrial, academic and military work.

Shipping of Cray computers to France has been held up by delays in processing export licences from the US as a result of worries in Washington about sensitive technologies passing to the East bloc.

The incoming Socialist Government in Paris in 1981 faced a delay of about a year in winning authorisation for a Cray-1 computer destined for the military division of the Commissariat à l'Energie Atomique (CEA), the country's atomic energy commission.

Even though the Cray-2 is six to 12 times more powerful than the Cray-1, Mr Robert Levy, the head of Cray's French subsidiary, said he did not foresee any hold-ups in delivering the latest computer.

Each Cray-2 costs about $20m. Three of these models have been installed in the US – at the National Aeronautics and Space Administration, the Lawrence Livermore laboratories and the University of Minnesota.

Of 115 Cray computers installed internationally at end 1985, 41 per cent are used for defence work. A total of 17 per cent were with oil companies and 11 per cent in aerospace applications.

France already has eight earlier Cray models installed – of which two are used by the CEA – compared with six in West Germany. The Stuttgart University Cray-2, being bought by the state of Baden-Württemberg, will be used by a number of universities to carry out research in nuclear physics, engineering and chemistry.

Further EEC aid for British steel regions

BY PAUL CHEESERIGHT IN BRUSSELS

SIX AREAS of Britain, depressed by the rundown of the steel industry, are to receive a further Ecus 12m (£7.7m) from the European Community Regional Fund, the Commission announced yesterday. They are Cleveland, Clwyd, Gwent, Humberside, South Yorkshire and Strathclyde.

These areas have received Ecus 66m since 1980 to help development. Regional Fund spending under a scheme to help areas hurt by steel industry restructuring throughout the Community now totals Ecus 287m.

The Commission also said it planned to spend Ecus 19m this year on helping fund research projects directed towards technical development in the steel industry.

New foreign investment law for Turkey

By David Barchard in Ankara

THE Turkish Government yesterday introduced a new framework decree for foreign investment, replacing similar decrees issued in the early 1980s.

Mr Turgut Ozal's Government is strongly in favour of attracting foreign capital to Turkey, but the inflow so far has been relatively disappointing—about $100m (£71m) in 1984 and 1985, with the typical investor being a small Middle Eastern trading company using the minimum investment of $50,000.

The new legislation improves operating conditions for existing and new investors in manufacturing, by allowing export requirements to be waived completely and allowing the state planning organisation's Foreign Investment Department to authorise matters which formerly had to be referred to the Council of Ministers.

These include capital increases, changes in the field of a company's activities, and other changes in shareholding ratios.

Export requirements have till now been high for many investors, ranging from more than 50 per cent for textiles to 409 per cent for food and beverage production.

However, it appears that companies will still have to apply on a case-by-case basis to have export requirements dropped.

Further decrees liberalising foreign currency and capital transactions including Decree 32 introduced by Mr Ozal soon after he took office in December 1983, are thought to be in the pipeline.

Moscow urges pact on satellites

BY WILLIAM DULLFORCE IN GENEVA

THE SOVIET UNION yesterday proposed that an international agreement be negotiated guaranteeing the immunity of satellites circling the earth and prohibiting anti-satellite weapons in space.

This would help prevent an arms race in space and contribute to progress at the US-Soviet nuclear arms control talks, Mr Victor Issraelyan, the Soviet ambassador, told the 40-nation UN conference on disarmament. He described it as a step from Star Wars to Star Peace.

States would agree not to use force or the threat of force against objects in space, he said. They would also undertake not to damage or change the trajectories of other nation's satellites.

The novelty in the proposal is that it links the question of immunity with Moscow's continuing preoccupation with stopping the US Strategic Defence Initiative or Star Wars programme.

Our Moscow Correspondent adds: Mr Mikhail Gorbachev said yesterday that the Soviet Union will extend its ban on nuclear test beyond the March 31 expiry date as long as the US does not carry out any.

He added that it agree to on-site inspection to verify a nuclear test ban and that this would include allowing foreign inspectors on Soviet test sites. This would only occur, however, if "unclear phenomena," needed to be investigated.

The US, which has made reliable verification a key to a nuclear test ban and other arms control accords, has objected in the past that it wants regular reciprocal inspections

Soviet officials and commentators seem certain to cite the extension as proof of Kremlin sincerity about arms control, and to contrast this with the alleged intransigence of the West.

The latest target for criticism on this score has been Mrs Margaret Thatcher. The official news agency Tass and the Communist party daily newspaper, Pravda, have both denounced the British Government for what is viewed here as its unreasonable rejection of Mr Gorbachev's proposals in January on eliminating nuclear weapons

Citing Mrs Thatcher's determination to buy Trident missiles, to participate in the Star Wars programme and even her handling of the Westland helicopter affair, Tass suggested that she had made Britain dangerously dependent on Washington.

Finland hit by biggest strike in 30 years

By Olli Virtanen in Helsinki

FINNISH industrial companies and all transport of goods were halted yesterday when the country's Central Organisation of Labour Unions (SAK) started a general strike despite a last-minute offer by the employers' federation to cut working hours.

The country's biggest strike in 30 years hit all forest industry companies as well as most large metal and engineering groups.

All Finnish ports were closed and domestic air traffic stopped, apart from connections to four cities—Oulu, Vaasa, Varkaus and Maarianhamina.

Charter flights took off normally yesterday despite earlier warnings by SAK. Management personnel are operating fire brigade services at Helsinki airport and the nuclear power stations

The strike is expected to be short-lived. The employers' offer involved shorter annual working hours. The unions seemed willing to talk on the issue, but there was not enough time to come to an agreement before the strike began.

Carlsson holds Sweden to Palme's course

SWEDEN'S NEW leader, Mr Ingvar Carlsson, yesterday presented an unchanged government and policies faithful to those of his assassinated predecessor, Mr Olof Palme, promising to work for international peace while safeguarding an open society, Reuter reports from Stockholm.

"We stand united in the common values of this country, in peace and freedom, democracy and openness," he told Parliament.

Mr Carlsson, who was Deputy Prime Minister under Mr Palme, promised to safeguard the traditional kingpins of Swedish society under social democratic rule—an extensive welfare system, social and economic justice, generous immigration policies and a steadfast policy of neutrality.

He also pledged to carry on Mr Palme's efforts for peace and nuclear disarmament: "Every effort must be made to reduce and in the long term eliminate the threat of nuclear war."

"The Government will continue to work actively for a nuclear-free zone in the Nordic region, and seek increased support for the proposal of a corridor in central Europe free of tactical nuclear weapons."

Sweden would continue to protest against violations of international law, he said, and go on criticising the Soviet presence in Afghanistan, South Africa's apartheid system and US support for anti-government rebels in Nicaragua.

At home, it would fight any tendencies towards racism and discrimination towards immigrants, he said.

"In the present situation this should be emphasised with special force," he said in a reference to concern expressed by politicians that Mr Palme's murder could spark a backlash against immigrants should the killer prove to be a foreigner.

Mr Carlsson, will make his debut as Prime Minister on the international arena this weekend when hundreds of world leaders converge on Stockholm for the funeral.

Central bank cuts discount rate to 8.5%

By Our Stockholm Correspondent

THE SWEDISH central bank yesterday lowered the discount rate by one point to 8.5 per cent, the second reduction this year.

Mr Bengt Dennis, the governor, said that while cuts by other leading central banks over the past week had facilitated the decision, it reflected the lowering of interest rates that had already occurred in the money and capital markets in recent weeks.

The reduction has also been made possible by the continuing strong inflow of capital into Sweden—some SKr 8.3bn (£788m) since the beginning of the year.

The bank is still worried aboutt he growth in private consumption, but the falling oil price and the weaker dollar are slowing the increase in imports and relieving some pressure on the current account. The latter is expected to show a modest surplus this year after a deficit of more than SKr 9bn last.

Aquino urged to repudiate dubious loans

BY ALAIN CASS IN MANILA

PRESIDENT Corazon Aquino of the Philippines is under strong pressure from some ministers to repudiate commercial loans with foreign banks for projects involving bribery of Government officials in the deposed administration of Mr Ferdinand Marcos.

The move, led by some senior economic advisers during the election campaign who are now in the Cabinet, is part of a radical set of options under consideration which include a moratorium on interest and principal payments of commercial debt as a way of cutting the country's crippling loan burden. Other proposals include a ceiling on the interest paid on foreign debt and a drastic reduction in the country's debt service ratio.

Leading the move is Miss Solita Monsod, the new Director General of the National Economic Development Authority, a cabinet post. Miss Monsod was one of the principal authors of a staff paper at the University of the Philippines in September, 1985, which was crucial in shaping Mrs Aquino's economic platform.

She said yesterday that that "we are faced with a simple choice either you reschedule or you grow. Our debt service ratio is now 40 per cent, and that is inconsistent with what we are are trying to do."

Out of a total foreign debt of $26bn the Philippines owes around $16bn to foreign banks.

The move is opposed by the more experienced members of Mrs Aquino's administration such as Mr Jose Fernandez, the central bank Governor, and is unlikely to have an easy passage through the Cabinet.

Mr Fernandez said earlier this week that to repudiate foreign loans was "an alternative," but the consequences on foreign confidence would be enormous. "Repudiation" he added, "means letters of credit will not be honoured and all transactions will have to be on a cash basis."

The open conflict between the idealists and the pragmatists in the Government over this and other issues underlines the diversity of her coalition and the fact that her 2½-week-old Government has yet to formulate a coherent response to some of the major issues facing the country.

The Government is also likely to be advised against such a move by the IMF which has a team in Manila reviewing terms of the existing standby facility and preparing the ground for the next package. The IMF's seal of approval on the new government is vital if the Philippines is to reschedule its commercial debts.

Miss Monsod and her supporters represent the more radical elements within Mrs Aquino's administration, who feel that the international community must take some blame for the economic mess left behind by Mr Marcos. They justify their call for the selective repudiation of foreign loans by saying that banks which financed contracts which were grossly overpriced to allow officials in the Marcos government to receive bribes must take some responsibility.

● The New Society Movement (KBL) party of Mr Marcos decided yesterday to sever all links with the deposed President in an effort to clean up its tarnished image. The party's leaders met in Manila and said it would change its name, elect new leaders, formulate new policies and try to win back the nearly 50 members of parliament who defected

The Reagan Administration has agreed to help both Congressional and Filipino investigators trying to track down the hidden wealth of deposed President Ferdinand Marcos by providing them with copies of about 1,500 sensitive financial documents which Mr Marcos took with him on his flight to Hawaii last month. The documents are thought to contain important clues as to the whereabouts of the Marcos personal fortune, which has been estimated at as much as $10bn by the Aquino Government. The papers were impounded by the US customs when Mr Marcos arrived in Hawaii.

The Administration has agreed to supply copies of the documents to Mr Stephen Solarz, the Democratic chairman of the house sub-committee investigating Mr Marcos's financial affairs. Mr Solarz earlier this week threatened to subpoena the papers. Copies will also be given to Mr Jovito Solonga, the head of the Philippines commission trying to track down Mr Marcos's hidden wealth.

Philippine parallel that may be misleading

BY KIERAN COOK, RECENTLY IN JAKARTA

AS FORMER President Ferdinand Marcos, along with his minions and his millions, contemplates the years of enforced retirement ahead, he might be forgiven for feeling just a little hard done by. After all, he hardly had a monopoly on the indiscreet use of power in the south-east Asian region.

This week, President Suharto of Indonesia celebrates 20 years as leader of the world's fifth most populous nation. Many, both inside and outside Indonesia have been quick to draw parallels between one recently deposed veteran leader and another still very much in power.

Throughout his term in office Mr Suharto's administration has been tarnished by allegations of corruption. Despite various well-publicised anti-corruption campaigns, there is a widespread belief in Indonesia that high level corruption persists. An official once estimated that waste and corruption accounted for between 30 and 40 per cent of the state budget.

Western creditors once lavished considerable amounts of funds on the Philippines. Last year the intergovernmental group on Indonesia (IGGI), an aid consortium of industrialised countries set up in the late 1960s, pledged more than $2.4bn to Indonesia's development programme.

Like Mr Marcos, Mr Suharto has used an extensive system of patronage and cronyism to ensure that loyalists, for the most part colleagues from old army days, are in key positions of power.

The first family itself has extensive business interests: Mrs Suharto runs a number of successful fund-raising activities for projects such as the multi-million dollar mini Indonesia park.

Mr Suharto's present term of office ends in 1988 and at 65, he is both a younger and fitter man than Mr Marcos. But he shows the same disinclination to step down from office or name a successor.

Suharto . . . only some analogies with Marcos apply

But though such parallels are tempting, there are crucial differences. Mr Suharto, helped by a big growth in oil revenues, has presided over a period of considerable economic development. There are none of the food queues, there is none of the chaos of the last years of former President Sukarno.

A country which was until recently the world's largest rice importer has become self sufficient in its staple food. The Indonesian economy is seen by the international financial community as being soundly managed and prudently run. Though growth had dropped back to between 3 and 5 per cent in recent years, progress has been impressive.

Mr Suharto's style is very different from that of Mr Marcos. Hollywood antics do not exist — Mr Suharto is quietly measured, the "smaling general" who personifies the Javenese rulers of olden times. But there is also considerable toughness and cunning.

Above all Mr Suharto has ruled over a society more carefully controlled than in the Philippines. Very little of the criticism allowed under Mr Marcos would be tolerated in Indonesia. The military and a multitude of Government organisations keep a careful watch on potential opponents.

"We do not believe" says armed forces chief General Benny Murdani, "in western liberal ideas of opposition."

"It is inconceivable that the international media and foreign observers would be allowed the sort of access here that they had in the Philippines," said one Indonesian academic. Nor would Indonesia allow the US to interfere: Washington remains a firm friend, but conducts a strictly "hands off" policy towards Indonesia.

Mr Suharto, unlike Mr Marcos, does not face the prospect of adjusting to life after the US rug is pulled from under him.

Battle for power splits Israeli right wing

By Andrew Whitley in Tel Aviv

ISRAEL'S right wing Herut Party appeared yesterday to be irrevocably split, following a deadlocked battle for power at a key party convention in Tel Aviv.

The convention broke up in disorder in the early hours of Thursday morning after three days of mounting clashes between rival factions led by Mr Yitzhak Shamir, the Israeli Foreign Minister, and Mr Ariel Sharon and Mr David Levy.

Mr Shamir, who is also head of the Herut-dominated Likud bloc, is due to take over from Mr Shimon Peres as Prime Minister in October under a power-sharing rotation agreement.

Even by the rough-and-tumble standards of Israeli politics, the chaotic Herut Party convention—its first since the dramatic resignation in September 1983 of Mr Menachem Begin, its founding father—was remarkable for its verbal and physical violence.

Supporters of the rival contenders for key party posts traded blows on the convention floor as their leaders on the podium swapped vitriolic insults. But the earlier than expected break-up of the convention finally came when the Shamir-Levy camp attempted a procedural coup which would have given them control over the conference and its powerful committees.

Ideology was not at issue in the ructions; each of the three contenders for Mr Shamir's post as party and Likud leader take a similar hard line on foreign policy issues. This was simply a naked struggle for control over the party expected to take command of Israel in seven month's time.

Both sides were bloodied. But Mr Shamir, lacking the charisma of his predecessor and patently unable to exercise control over Herut's unruly, mostly oriental Jewish members, was undoubtedly the big loser from his first real test as party leader.

Nakasone steps up drive for Japanese involvement in SDI

BY JUREK MARTIN IN TOKYO

Mr Yashuhiro Nakasone, the Japanese Prime Minister, this week significantly escalated his campaign for Japanese participation in the US Strategic Defence Initiative (SDI). But there remain considerable doubts that he will be able to carry his Government with him as speedily as he would like.

The Prime Minister's preference is to have Japanese commitment to SDI wrapped up before US President Ronald Reagan comes to Tokyo in early May for the economic summit.

But a senior Foreign Ministry official yesterday emphasised that disagreement on the timing of such a move, if less on the substance, was still strong.

"Some want a decision before the summit," he said, "and some feel it is too important a decision to take in a hurry. At present, the latter school is in the majority."

It is widely believed that Mr Shintaro Abe, the Foreign Minister and a candidate to succeed Mr Nakasone as Prime Minister later this year, favours caution. Domestic political tactics may well be a determining factor when Japan follows the UK and West Germany in joining SDI research.

What Mr Nakasone may have in his favour is the extent to which SDI is about to loom large in bilateral relations.

This week in Washington Mr Caspar Weinberger, the US Defence Secretary, has been urging Japanese participation on a visiting delegation from the opposition Komeito Party. At the end of the month, a third Japanese mission, comprising Government officials and potential Japanese contractors, is to go to the US. Mr Weinberger is due here early in April, while Mr Nakasone is to confer in Washington with President Reagan in the middle of next month.

In Diet testimony this week, Mr Nakasone laid out what he considers to be five principles for Japan to follow in the SDI debate. They included the belief that SDI should not be used in pursuit of unilateral military ascendancy and that the US development and deployment of the system should only be carried out in full consultation not only with its allies but also with the Soviet Union.

Sri Lanka pledges to end air attacks and begin talks

BY MERVYN DE SILVA IN COLOMBO

All air attacks on targets in the Tamil northern province will cease from tomorrow, the Sri Lanka Government announced yesterday. Mr Lalith Athulathmudali Als, National Security Minister, added that if operations by armed Tamil separatists ended, the Government would open negotiations, direct or indirect, formal or informal with Tamil groups besed in Madras, South India. This would include those organisations branded by the Government as "terrorists."

The minister's press conference followed a Government statement reiterating its "firm and unqualified commitment" to a political settlement of the island's ethnic conflict which last year claimed over 1,200, chiefly civilian, lives.

The official statements came after Indian Prime Minister Rajiv Gandhi told an Indian newspaper that Sri Lanka had done "too little, too late" to find a solution to the problem.

Mr Gandhi, who has played a mediatory role, said Sri Lanka must come out strongly in favour of a political settlement. He hinted strongly that he may withdraw from his role as mediator.

Mr Athulathmudali said that if the violence ended, talks with the Tamils would begin by the Sinhalese and Tamil New Year on April 13.

Community leaders in Jaffna, the northern capital, welcomed the news but were cautious about a renewal of talks on a political settlement. The air raids, Tamil sources said, had killed innocent civilians and not "terrorists." Tamil citizens committees have accused the Government of using foreign mercenaries as pilots.

Britain ignores Kabul protest

BRITAIN has returned, unanswered, a diplomatic note from Afghanistan protesting at the decision of British Premier Mrs Margaret Thatcher and Sir Geoffrey Howe the Foreign Secretary, to receive an Afghan resistance leader, Mr Abdul Haq, Agencies report.

A Foreign Office spokesman said yesterday that Mr Charles Drace-Francis, the Charge d'Affaires in Kabul, had been instructed to return the note.

"We have not had, since the Soviet invasion of Afghanistan, normal government to government dealings

"As a matter of principle our dealings have been at only protocol level. The protest note apparently originated from a political department and could not be accepted."

Two die in Sabah fires

TWO people died in fires started by arsonists and three more bombs rocked Kota Kinabalu, the capital of the east Malaysian state of Sabah yesterday as Moslem opposition leaders continued to press for the removal of the Christian-led Government of Chief Minister, Datuk Pairin Kitingan, *reports Wong Sulong from Kuala Lumpur.*

Police were not able to say whether the fires were politically motivated. However, a senior aide to Datuk Pairin described the incidents as "the latest in a continuing political campaign to topple the elected state government."

The three bombs, which went off at a busy shopping centre in Kota Kinabalu, did not injure anyone. On Wednesday, 13 bombs went off in the city, injuring four people.

Leaders of the opposition Moslem United Sabah National Organisation (USNO) said they would continue to organise demonstrations against Datuk Pairin unless the Federal Government intervened to break the political impasse. They want Kuala Lumpur to impose direct emergency rule.

Beirut central bank acts to steady pound

BY NORA BOUSTANY IN BEIRUT

LEBANON's central bank's first-ever issue of Treasury bills direct to the public was designed to promote saving, discourage speculation against the Lebanese pound and finance Government spending, a senior official said yesterday.

Mr Megerditch Bouldoukian, one of four vice-governors at the Banque du Liban explained that the measure, decided at a secret meeting of the bank's monetary policy committee, had been recommended in January by the International Monetary Fund. It was aimed at controlling liquidity in the banking system, he added.

Wild speculation against the Lebanese pound by banks and individuals lacking other profitable investment outlets pushed down the exchange rate of the pound to an all-time low of £27.50 to the dollar in trading last month.

During meetings in Paris in January, the International Monetary Fund recommended that selling (Treasury Bills) to the public at large should start somewhere, Mr Bouldoukian said.

Offering a base interest of 18 per cent payable at purchase, treasury bills actually yield 18.85 per cent, 19.76 per cent and 21.95 per cent for three-month bills, six-month bills and one year bills respectively.

In the past, commercial banks were the exclusive agents for such bills. The Lebanese Bankers association proposed levying a 20 per cent commission for the handling of such transactions. But the central bank judged that this would dampen public interest in the bills and decide to go ahead with direct sales this week.

With the help of a media campaign to explain the advantages of Treasury bills as a "new financial product," the central bank has been able to raise Lebanese £300m ($15.5m). Central bank officials said they were pleased with the outcome and expected a bigger response next week.

Te central bank moved swiftly last month to deter speculation by demanding that banks raise their reserve requirements from 18 to 22 per cent. "Monetary policy this year will be restrictive," Bouldoukian added. Treasury bills have always been the instrument for domestic borrowing to help cover most of Lebanon's public debt, estimated at Lebanese £50m at the end of last year.

The vice-governor stressed that the central bank's role was to encourage saving and that Treasury bills, being "renumerative, riskless and liquid at any time," were the best way to draw attention away from "wild speculative activity."

Determined intervention by the central bank last month helped the Lebanese pound recover to its current plateau of around 19.40 to the dollar.

BASE LENDING RATES

ABN Bank	12½%	Grindlays Bank	‡12½%
Allied Dunbar & Co.	12½%	■ Guinness Mahon	12½%
Allied Irish Bank	12½%	■ Hambros Bank	12½%
American Express Bk.	12½%	Heritable & Gen. Trust	12½%
Amro Bank	12½%	■ Hill Samuel	§12½%
Henry Ansbacher	12½%	C. Hoare & Co.	12½%
Associates Cap. Corp.	12½%	Hongkong & Shanghai	12½%
Banco de Bilbao	12½%	Johnson Matthey Bkrs.	12½%
Bank Hapoalim	12½%	Knowsley & Co. Ltd.	13 %
Bank Leumi (UK)	12½%	Lloyds Bank	12½%
BCCI	12½%	Edward Manson & Co.	13½%
Bank of Ireland	12½%	Meghraj & Sons Ltd.	12½%
Bank of Cyprus	12½%	Midland Bank	12½%
Bank of India	12½%	■ Morgan Grenfell	12½%
Bank of Scotland	12½%	Mount Credit Corp Ltd.	12½%
Banque Belge Ltd.	12½%	National Bk. of Kuwait	12½%
Barclays Bank	12½%	National Girobank	12½%
Beneficial Trust Ltd.	13½%	National Westminster	12½%
Brit. Bank of Mid. East	12½%	Northern Bank Ltd.	12½%
■ Brown Shipley	12½%	Norwich Gen. Trust	12½%
CL Bank Nederland	12½%	Peoples Trust	13½%
Canada Permanent	12½%	PK Finans. Intl. (UK)	13½%
Cayzer Ltd.	12½%	Provincial Trust Ltd.	13½%
Cedar Holdings	13 %	R. Raphael & Sons	12½%
■ Charterhouse Japhet	12½%	Roxburghe Guarantee	13 %
Citibank NA	12½%	Royal Bank of Scotland	12½%
Citibank Savings	¶12½%	Royal Trust Co. Canada	12½%
City Merchants Bank	12½%	Standard Chartered	12½%
Clydesdale Bank	12½%	TCB	12½%
C. E. Coates & Co. Ltd.	13 %	Trustee Savings Bank	12½%
Comm. Bk. N. East	12½%	United Bank of Kuwait	12½%
Consolidated Credits	12½%	United Mizrahi Bank	12½%
Continental Trust Ltd.	12½%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
Financial & Gen. Sec.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Sec. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
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* 7-day deposits 8.70%, 1-month 9.80%. Top Tier—£2,500+ at 3 months notice 12.06%. At call when £10,000+ remains deposited.
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¶ Mortgage base rate.
§ Demand dep. 8¾%. Mortgage 13%.

Crocker takes firm line against Pretoria

By Reginald Dale, US Editor in Washington

MR CHESTER CROCKER, US Assistant Secretary of State for African Affairs, has delivered one of the Reagan Administration's toughest attacks so far on the Pretoria Government and, apparently for the first time, specifically stated that the US favours black majority rule in South Africa.

Testifying before the House Foreign Affairs Subcommittee on Africa, Mr Crocker also, surprisingly, said that the Administration regards militant members of the African National Congress as "freedom fighters in the generic sense."

The term "freedom fighters" has hitherto been reserved by the Administration to denote approval of anti-communist rebels in countries such as Nicaragua and Angola, where the rebel Unita "freedom fighters" are in fact allied with the South African Government.

Mr Crocker, the Administration's senior official for African affairs, denounced the Pretoria Government as guilty of a deliberate "sham" in signalling willingness to negotiate with the country's black majority while imposing restrictive banning orders on black leaders.

He said that the US "condemns in the strongest possible terms" Tuesday's banning orders against Mr Henry Fazzie and Mr Mkhuseli Jack, two moderate black leaders, who *were just the kind of men who* could help to defuse racial tension in the country.

Mr Crocker replied affirmatively when asked if the Administration's policy implied black majority rule, with safeguards for the white minority, a point on which US officials have usually been distinctly evasive in the past. Mr Howard Wolpe, the committee's Democratic chairman said that this was the first time that any high-ranking Administration official had publicly endorsed majority rule in five years of testimony before the committee.

A State Department spokesman, however, said the Mr Crocker had not meant to break new ground in his statement and had simply meant that a democratic constitution, which the Administration has long urged, "implies majority rule with built-in protection for minority rights."

'Risky' banks to pay doubled premiums for federal insurance

BY WILLIAM HALL IN NEW YORK

THE Federal Deposit Insurance System (FDIC), which insures the deposits of America's 15,000 banks, plans to charge troubled banks double the normal premium for deposit insurance.

The *move to a risk-based* deposit insurance system was one of several major changes in the US deposit insurance system unveiled yesterday by Mr William Seidman, the recently appointed chairman of the FDIC. His agency announced earlier this month that it had set aside \$2.3bn to cover last year's record number of bank failures and the FDIC has for some time been seeking ways to force troubled banks to shoulder a higher burden of the cost of deposit insurance.

Speaking in front of the Senate Banking Committee yesterday, Mr Seidman called for a two-tiered, risk-based premium *for deposit insurance that would* require "risky" banks to pay 2/12 of 1 per cent of their domestic deposits to the FDIC instead of the current 1/12 of 1 per cent.

Banks whose operations are found to be "risky" by the FDIC would be forced to pay the *higher premiums and this would* curb their ability to expand as fast as healthy banks. The FDIC has been seeking support for the concept of risk-based insurance premiums for some months but several banks are known to believe that idea is flawed and will put an unusually heavy burden on the FDIC to decide which banks are "risky" and should pay a higher premium.

The problem of reforming the US deposit insurance system is one of the central questions currently facing US banking regulators. The 1984 run on Continental Illinois, the eighth biggest US bank, underlined the very serious problems with the current system of deposit insurance.

The cost of the FDIC-led rescue of Continental Illinois has not yet been calculated but it could well run into the billions of dollars range and this has forced the FDIC to reconsider ways of mounting a rescue of large troubled banks. One of the problems of the Continental rescue was that local Illinois banking laws prevented a healthy out-of-state bank from taking over Continental until it was too late.

Mr Seidman yesterday called on Congress to change several laws which would facilitate its handling of bank failures. He requested that the FDIC be allowed to operate a bank for a limited period of time as a "bridge" before a new owner could be found to take over the failed bank. At the moment the FDIC only becomes involved after a bank has been closed by the regulators.

Joe Mann reports on the effect of the oil price fall on Venezuela

Caracas scales down its horizons

Opec's falling apart,
Oil prices won't rise.
This is a real mess,
How're we going to survive?

While overstating the dilemma, this song, recently on one of Caracas's most popular television satire programmes, reflects the concern of many Venezuelans and foreigners about the country's future. The recent collapse of oil prices has sent shock waves through the nation, pushing the Venezuelan currency to its weakest point ever and raising questions about the Government's ability to meet domestic and foreign commitments.

Before the price collapse, the Administration of President Jaime Lusinchi projected oil export earnings of around \$12.6bn for 1986, slightly below those in 1985. Since January, however, Petroleos de Venezuela, the state oil monopoly, has been forced to cut prices repeatedly.

The average price for the country's oil exports now stands at about \$16.50 per barrel, compared with \$25.81 in 1985. No-one knows how much oil earnings will be this year, but the Government recently said it now expects a level of around \$8-5bn.

Although the Administration counts on another \$3bn from non-oil exports, loans and other sources, around 60 per cent of its revenues come from oil taxes, and petroleum exports last year accounted for 90 per cent of total exports.

In comparison with the rest of the developing world, however, Venezuela still enjoys an enviable position. Even though the domestic economy has been in a recession since the end of the 1970s and unemployment currently stands at the uncomfortable level of around 12 per cent, the external accounts are in excellent shape and a major debt-restructuring agreement was recently signed with foreign banks.

Venezuela ended 1985 with a current account surplus of \$3.9bn, *high foreign currency* reserves, now at \$13.6bn, and an inflation rate of 9.1 per cent, which is not viewed as a serious problem.

Although the long recession has lowered the standard of living for most Venezuelans, the country does not suffer from widespread poverty or from political or social upheaval. Even if oil exports this year *fall below* the Goveranment's current target of \$8.5bn, revenues plus reserves still give a considerable margin of safety.

Of course, the Government has acquired some substantial commitments. It has signed a foreign debt-restructuring agreement covering about \$20bn, out of total public-sector debt estimated at \$25.7bn.

VENEZUELAN ECONOMY

	1985	1984
GDP (percentage change)	−0.4	−1.3
Oil exports (barrels/day)	1,356,000	1,571,000
Foreign reserves (\$m)	13,740	12,469
Current account surplus (\$m)	3,927	5,298
Unemployment (per cent)	12.1	13.4

Source: Central Bank of Venezuela, Presidential message to Congress

Aside from paying \$4.38bn this year to service its own *foreign debt, the Government is* supposed to provide large sums of foreign currency to private-sector borrowers at subsidised exchange rates so that they can repay foreign loans.

The Administration must also pay for merchandise imports, worth \$6.6bn last year, and pump dollars into the free exchange market. Even more important, it must make sure it has enough left over to pay for domestic current spending and investments.

Priority is being given to development projects and a programme aimed at creating tens of thousands of new jobs, stimulating demand and moving the economy into positive growth.

Mr Lusinchi has faced heavy political pressure on the debt issue, now formally resolved after three years of uncertainty. The chief opposition party—the Christian Democrats (Copei)—asked the Government to delay the debt restructuring agreement until the petroleum outlook becomes clearer. Other opposition groups, some labour leaders and even members of the President's Democratic Action party pushed publicly and privately for more time or *for re-negotiations.*

The government, however, was eager to "normalise" the debt situation in order to re-establish its international credit rating and lower overall debt service costs, and signed the restructuring agreement late last month.

The most frustrating element for the Government is the fact that by choosing to pay the banks, it wil lhave far less money to spend on a still-flagging domestic economy. Mr Lusinchi, a pediatrician turned politician, was elected to a five-year term in 1983 on a platform based on the promise of restoring growth and reducing unemployment.

The President has been unable to spur any significant domestic growth, but has halted the decline and boosted output in areas such as agriculture and industry.

Under all but disastrous conditions, it should be able to pay its debts, and move ahead using its own financial resources, supplier credits and some new borrowing. But unless the Lusinchi administration wants to face several more years of near-zero economic growth, it must take steps to encourage private sector confidence in the economy.

After more than two years in office, Venezuelan citizens still prefer to keep billions of dollars offshore, at a time when their nation is in serious need of new investment. It is a serious criticism of the Government's approach.

Reagan denies pressing for shuttle flight

By Nancy Dunne in Washington

PRESIDENT Ronald Reagan has denied persistent reports that the White House put pressure on the space agency Nasa to launch the ill-fated shuttle Challenger on January 28 so it could be mentioned in his State of the Union message that night.

In an interview published yesterday in the Baltimore Sun, Mr Reagan said the White House had never pushed the space agency to meet schedules for shuttle launches.

However, White House officials have acknowledged receiving a Nasa recommendation in early January that the President mention in his speech the voyage of Mrs Christa McAuliffe, the "teacher in space." Mr Patrick Buchanan, the White House Director of Communications, told the New York Times that Nasa's recommendation was just one received among several from 18 federal agencies.

The Challenger was to be mentioned in the State of the Union only in connection with an experiment prepared by a college student which was to be conducted on the flight,

Meanwhile, the Congressional Budget Office (CBO) has estimated that it will cost \$5bn over five years to construct a new shuttle and diversify the space programme to include more unmanned booster rockets.

Summit delay considered

By Our US Editor

PRESIDENT REAGAN yesterday for the first time indicated that he was prepared to consider holding the next US-Soviet summit much later this year than originally envisaged, perhaps in December, but reiterated his strong preference for a meeting in Washington in June or July.

Mr Reagan repeated, in an *interview* with the Baltimore Sun, that a Soviet suggestion of September was "very difficult, inconvenient for us," because it would be too close to the US *mid-term* congressional elections in early November. "It must be earlier before we actually get into the full extent of that election campaign," he said.

Asked, however, whether a date after the election would be possible, Mr Reagan replied that "we'd listen to that and look at it."

Peru to pay interest to bank creditors

By Peter Montagnon, Euromarkets Correspondent

Peru has promised to make an interest payment to its commercial bank creditors next month, the first on its medium term debt since President Alan Garcia took office last year.

The commitment was made at a meeting earlier this week between Dr Gustavo Saberbein, head of the External Debt Committee, and the Citibank-chaired committee of leading creditors.

Bankers said that Peru did not specify the amount it would pay, but the move is seen as a gesture of goodwill designed to prevent a further deterioration in relations between the two sides. Arrears on interest now exceed \$400m (£272m).

The payment is in any case expected to be a token one as Peru continues its policy of limiting debt service payments to 10 per cent of exports.

Dr Saberbein also told the bankers that Peru would present new proposals for restructuring its \$14bn foreign debt by early June *at the latest. What is unclear,* however, is whether this will be backed up by a revision of its current policy of refusal to adopt an International Monetary Fund economic stabilisation programme.

US retail sales down

US retail sales fell 0.1 per cent in February after a 0.2 *per cent decline in January,* the Commerce Department reported yesterday, Reuter writes from Washington.

GARCIA VISITS ARGENTINA

Mixed reception for Peruvian razzmatazz

BY JIMMY BURNS IN BUENOS AIRES

IT TAKES two to tango, but one partner can always step on the other's toes. Such a thought has been troubling Argentine officials as they prepare to host the state visit by President Alan Garcia of Peru.

On the surface there is much that binds Argentina and Peru. Quite apart from strong historical ties dating from Spanish colonial times, the two countries have governments committed to parliamentary democracy, regional peace, and Latin American unity.

But Buenos Aires is worried by the political implications of Mr Garcia's attempts to rival Mr Raul Alfonsin in his battle for the hearts and minds of Latin Americans on the issues of debt and Central America.

Mr Garcia, who arrives in Buenos Aires today, has in fact secured only lukewarm support for his international efforts from other Latin American governments.

The big *debtors* have so far steered clear of unilateral action against creditors, and no one has offered troops for the proposed peacekeeping force on the Nicaraguan border as quickly as Mr Garcia has done.

But Mr Garcia has some powerful allies. Recent posters printed by the Argentine trade union movement proclaimed: "*Alan Garcia, the president we deserve.*"

The opposition Peronist Party has eagerly struck a common cause between the populism of Mr Garcia and the "golden years" of the late General Juan Peron. Parallels have also been drawn between Mr Garcia's wife, Argentine-born Pilar Nores, and "Evita," Gen Peron's wife, who campaigned on behalf of the poor.

Mr Garcia, meanwhile, appears bent on exploiting his first state visit since becoming president to the forum. Peruvian officials here emphasise that the high point of the visit will be a speech tonight by Mr Garcia to the Argentine parliament. It will be beamed live by satellite and free of charge to the rest of Lain America by Peruvian television.

Argentine officials privately admit that they could well do without such razzmatazz at a time when Mr Alfonsin's ruling Radical Party is immersed in a major parliamentary debate over the government's debt policy, and when the unions here are gearing up for their next national strike on March 25.

In the official photograph distributed enthusiastically by Peruvian officials to the Argentine press, Mr Garcia strikes a much younger and impressive figure than Mr Alfonsin who on Wednesday celebrated his 59th birthday. But it is not in Mr Alfonsin's style to passively allow his Peruvian rival to steal the limelight.

This evening, Mr Garcia will lay a wreath at the feet of Gen San Martin, Argentina's military hero to whom Peru owes its 19th century liberation from Spain. On Sunday he will visit the northern city of Cordoba, whose university movement inspired the ideas on education of Mr Haya de la Torre, the founder of Mr Garcia's Apra party.

WORLD TRADE NEWS

Oil price collapse deepens hostility between Opec countries

BY RICHARD JOHNS

"*IT IS HIGH time for* reconsideration of ways and means of restoring stability to the oil market," ended the statement *issued last week by the royal* court of Saudi Arabia.

Riyadh is usually somewhat oblique in its pronouncements, if not actually inscrutable. But the little publicised text made it categorically clear that the Kingdom believes that the slide *in prices has gone far* enough.

The timing also indicated that Saudi Arabia is looking to the ministerial conference of the Organisation of Petroleum Exporting Countries (Opec) starting in Geneva on Sunday to help reverse the trend.

It is difficult to see how it can. In the short-term, the stronger and more explicit Saudi commitment, repeating what Sheikh Ahmed Zaki Yamani, the country's Oil Minister, said in the Far East late last month, may buoy up prices. The perception that the Kingdom was trying to drive them down has been a *major factor* depressing the market, and reducing spot transactions to almost zero.

Company stocks are at a very low level and may need replenishing, but in practice, no-one at the Geneva meeting, least of all the Saudi Minister of Oil, can expect any immediate and dramatic turnround in Opec's fortunes.

All that is certain is that there will be as bruising a battle as any in recent years between the group of Arab conservative Gulf producers *led by Saudi Arabia* and the so-called militants—Iran, Libya and Algeria—which were sceptical in the first place about the move to recover market share and are now bitterly opposed to the policy.

One aspect of the tactics of the "price-warfare" camp may be to shock other members into greater discipline at a future date, but the *strategy is based* mainly on nothing more than the conviction or hope that other producers, including the UK and *Norway, will be* frightened by fiscal and other ravages into collaboration with Opec in limiting production *on a global basis.*

The Saudi statement said that an increase in prices would "only happen" if there was *collaboration. In a recent inter*view Sheikh Ali Khalifa al Sabah, Kuwait's Minister of Oil, said: "Sooner or later—tomorrow, in six months or maybe more, all producers will appreciate that they do not benefit *from* the present situation and that an agreement is necessary."

Given the UK's pivotal position and adamant refusal to contemplate any such thing, other Opec members can be forgiven for being sceptical over whether a global share-out can be achieved.

At its January meeting, Opec failed to agree precisely what volume constituted a fair mar*ket share. There was a* vague consensus on a minimum of 17.5m barrels a day (b/d), compared with the ceiling agreed *in October 1984 of 16m b/d.* This more or less equated with actual demand for members' oil in 1985 and remains in *force.*

As it is, January policy, designed "to secure and defend for Opec a fair share in the world's oil markets," has so far had quite the opposite effect.

Opec production has declined from nearly 18.5m b/d in December to little more than 17m b/d in February. Worse, especially for the poorer, indebted states with large populations, prices have plummeted by roughly half. On an annual basis, if they remain where they are, the 13 producers stand to lose in excess of $50bn this year or over a third of their 1985 earnings from crude, condensates and natural gas.

Meanwhile, the three main confrontationists have fared better than most in raising their *output.* Saudi Arabia's rate should more or less match the 4.35m b/d maximum allowed under the 1984 accord, which has always been regarded as hugely disproportionate by other members, particularly Iran and Algeria.

Kuwait's output is understood to have reached about 1.4m b/d, compared with its allocation of 900,000 b/d. The UAE's production has surged to the same level against a quota of 950,000 b/d. Resentment about their comparative success will be exacerbated by *justified* suspicions that the three allies, with their enormous crude reserves, are working towards a stable price as low as $18 as part of a strategy aimed at ensuring long-term demand for their oil, rather than satisfying the revenue needs of poorer members.

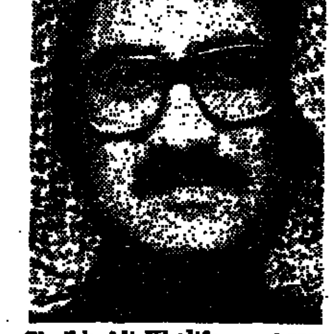
Sheikh Yamani will face more fierce hostility than ever in Geneva from Algeria, Libya and Iran, which co-ordinated their common stance on oil policy last month. Algeria has accused Saudi Arabia of starting a price war against other members and of economic aggression.

Iran, with its exports adversely affected by Iraqi air attacks and Japan's reluctance to buy from it, has proposed a cessation of all Opec shipments for a month and subsequent restriction of output to *10m b/d.* Although it has a desperate shortage of foreign exchange, this may be making a virtue out of necessity.

Nigeria this week publicly declared it was in favour of restraining output, and the pressure on nearly all the others will ensure the four Gulf states will be in a clear minority.

Venezuela, as usual, can be *expected* to be the voice of compromise. Mr Arturo Hernadez Grisanti, its Minister of Energy, has called for a flexible system *of prices* "related to the market which can be applied by all countries."

The chance of a movement towards *compromise* over an overall output rate and individual quotas looks remote, given Saudi Arabia's evident *determination to continue* pumping at 4.35m b/d. Consultations with Mexico, Egypt, Oman, Malaysia and Brunei after the Opec meeting are *therefore unlikely to advance at* all the prospects for the "stable satisfactory, and credible" allocation of the market *envisaged by the* Kuwait Minister.



Sheikh Ali Khalifa . . . agreement necessary

Sony plans Austria disc factory

BY PATRICK BLUM IN VIENNA

SONY, the Japanese electronics group, is to establish a compact disc manufacturing plant in Austria as part of a move to consolidate its presence in Europe and expand its worldwide sales, the company said yesterday.

The plant to be built in Salzburg will be known as Sony Europe, emphasising Sony's desire to establish itself firmly in the European compact disc market.

The initial investment will be about $50m (£35.7m), some of which will be provided in the form of government subsidies, although the amount of state aid received for the project was not disclosed yesterday.

Production will begin in mid-1987 with an initial target of 1m discs a month. Sony's two other compact disc manufacturing plants in Japan and the US produce 1.5m and 2m discs a month respectively.

Austria won Sony's approval for the deal in the face of tough competition from the Netherlands, France, West Germany and the UK.

A spokesman for Austria's Industrial Co-operation and Development Agency (ICD), speaking on behalf of Sony, said *yesterday that there were* three main reasons for the choice of Austria and Salzburg.

"We can offer highly skilled *labour,* a convenient *location* with full access to the whole of the European market, and the image of Salzburg as a musical capital," he said.

In a first phase, the plant will employ some 200 workers. Later, this could be increased to 500-600. The development agency says that the agreement with Sony leaves open the possibility of expanding the plant, depending on worldwide demand. Sony would then have to decide whether to expand the Salzburg plant or in Japan or the US.

Yoko Shibata adds: Starting with its Bridgend, Wales, colour television manufacturing plant, Sony has built five factories in Europe. It is about to begin construction of a sixth plant in Alsace, France for manufacturing of compact disc players and key devices for 8mm video tape recorders.

India agrees record foreign deals

By John Elliott in New Delhi

A RECORD number of 1,024 new technical and financial collaborations with foreign companies were approved by the Indian Government in 1985, with companies from the US and West Germany topping the list.

The UK has more collaborations — *2,032* — in operation than any other country because of its long association with India. But on present trends, *it could be overtaken within* three or four years by the US, which has a total of 1,895.

The increase for all countries of about 35 per cent over the total of 752 approved in 1984 reflects the international response to India's liberalised economic and industrial controls.

The last major increase in the number of new collaborations was in *1982* when companies reacted to policies introduced by the Government of the late Mrs Indira Gandhi. The *1982* total was *590* approvals compared with 389 in 1981.

Last year there was also a significant increase in the number of collaborations which included foreign companies takink equity stakes, although the amounts are relatively small. The total was 239 for a total of Rs 1.25bn (£74m) compared with 151 totalling Rs 1.13bn in 1984.

The US topped the list with Rs 399m which is significant, despite the small amount of finance involved, because many US businessmen have reservations about investing in India.

Japan was second with Rs 156m, with the UK ranking *seventh at Rs 37m* after West Germany, the UAE, Italy, and Norway.

Computer pact

India has signed a major deal with Control Data Corporation *of the US for* manufacturing advanced mainframe computers in India, the New Delhi Gov*ernment said*, **Reuter reports.**

*India will pay the US com*pany $9.5m (£6.7m) for the technology transfer as well as a 5 per cent royalty on sales.

Imports take 38% of French car market

BY PAUL BETTS IN PARIS

FOREIGN CAR manufacturers gained a 38 per cent share of the French car market during the first two months of this year, consolidating their leadership in the domestic market.

Foreign makers had secured a 36.6 per cent penetration of the French market last year ahead of both Peugeot, the *French private group*, and the state-owned Renault.

The latest increase in foreign import penetration reflects *aggressive marketing by foreign* makers, especially Fiat of Italy and General Motors in the small car market segment.

Fiat topped the list of foreign importers with 7.2 per cent of the French market last month followed by Volkswagen-Audi *with 6.3 per cent*, Ford with 6.1 per cent and GM with 5.6 per cent.

The Japanese maintained their voluntary import quota level of 3 per cent.

Compared to a 10 per cent gain in foreign import sales *during the* first two months of this year, Renault with *27.7* per cent of the domestic market saw its new registrations decline by 4.7 per cent. The Peugeot group's new registrations accounting for 34.3 per cent of the domestic market rose by only 2.6 per cent compared with the same period last year.

The French car industry is also increasingly concerned by the fall in new registrations in France which were 6.5 per cent lower last month compared to the already depressed levels of February last year.

The French state-owned nuclear engineering group Framatome has signed a letter of intent to build the reactors for China's Daya Bay nuclear power plant near Kong Kong, it said yesterday, Reuter reports.

The letter, firming up a memorandum of understanding agreed in December, will be followed by a formal contract signature during the summer, a Framatome statement said.

Dragonair plea for London services wins backing

BY DAVID DODWELL IN HONG KONG

HONG KONG'S Director of Civil Aviation yesterday endorsed the application of Hong Kong Dragon Airlines, the fledgeling aviation group, to operate scheduled services between Hong Kong and London.

The one-aircraft company's application has to be processed by Hong Kong's Air Traffic Licensing Authority, (Atla) where it is almost certain that objections from the airlines operating the lucrative route will force a public hearing.

Dragonair is controlled by Sir *Yue-Kong Pao*, and has since its incorporation in April last year set about challenging the claim of Cathay Pacific Airways to be *Hong Kong's de facto* flag carrier.

It has so far struggled unsuccessfully to win the right to operate major routes *from* Hong Kong.

In a highly-charged Atla hearing in December last year, Cathay Pacific blocked *Dragon*air's application to fly between Hong Kong and the two main Chinese cities of Peking and Shanghai.

Instead, Atla approved its application to fly to several smaller cities on the Chinese mainland. This application has yet to be put before the Chinese civil aviation authorities.

A recent application to operate charter flights from Hong Kong to London was turned down by the Director of Civil Aviation.

At present, British Airways, British Caledonian and Cathay Pacific operate daily services between London and Hong Kong.

EEC split slows shipping move

BY PAUL CHEESERIGHT IN BRUSSELS

SHARP DIFFERENCES among the European Community countries on how to regulate their local shipping are preventing them from deciding how *to protect their fleets from un*fair competition on the international routes.

Community transport ministers will today try again to unravel this paradox as they move into a new round of discussions on the formation of a common maritime policy.

Shoring up Community defences against restrictive practices in world shipping and providing a means of hitting at foreign fleets which ply for trade at non-commercial rates is one element of that policy. Liberalising *shipping* practices within the Community, giving the freedom to provide services, is the other.

The policy was devised by the European Commission as a package, and is also being treated by the Netherlands, *currently holding the* Community presidency, and by the UK as a package.

The three are all seeking more liberalisation in the transport sector. Their hand has been strengthened by the recent *European Court of Justice* judgment chastising the Council of Ministers for not deciding on how to bring about freedom *to provide services.*

So they can be expected to hold back from approving the external side of the policy until *they have pushed the rest of the* Community along the road of internal liberalisation.

Their argument for this approach is *simple.* It is scarcely logical to press for free competition internationally if the same principle is ignored at *home.*

The political current running behind them has two streams.

The first is the acute concern *in the* Community about the diminishing size of its merchant fleet. In 1970, it accounted for nearly one third of world merchant tonnage.

By last year, it was down to 21.5 per cent. The *developing* country share, mainly from Asia, rose over the same period from 8.2 to 21.6 per cent.

The ability of the Community fleet to survive, it is argued, is being increasingly hindered by restrictions on where it can trade and by the practice of some competitors carrying cargoes at rates which might be described as predatory.

Thus, there needs to be a *means* of retaliating by, for example, putting on the equivalent of anti-dumping duties.

The second stream, reinforced by the European Court judgment, is the drive within the Community to break down national barriers and achieve a full internal market by 1992. Transport is one part of that.

There is general agreement about the need for stronger defences. What the liberalising countries and the Commission will be testing again today is whether the concern behind the agreement is strong enough to permit internal change.

UK NEWS

Japanese plan to create 5,000 jobs in Britain

BY HAZEL DUFFY

OVER 5,000 jobs will be created in the UK by Japanese companies this year and next through the expansion of existing plant and new manufacturing activities.

This prediction is made in a survey of 107 Japanese companies, all of which have a thorough knowledge of the UK through existing businesses.

Over 3,300 jobs are planned in the manufacturing sector with the rest in services.

Wales, which already accounts for over 3,500 of the existing 10,000 manufacturing jobs in the UK held in Japanese companies, will gain 900 jobs.

Scotland will gain 700 and is the location most favoured by Japanese companies planning to set up manufacturing.

Some 500 jobs are planned for the West Midlands. London and the south-east of England will benefit most from the planned expansion of the services sector with some 1,200 jobs.

The survey describes the confidence shown by Japanese companies towards Britain as "striking." Of the total, 80 companies named "reliable and quality supplies" as the most crucial factor for a Japanese company considering a manufacturing base in Europe, followed by "good supply of skilled labour" (76 companies), and "good labour relations" (72 companies). Only 27 companies named "high financial assistance" as a critical factor.

Japanese industrialists continue to vote West German suppliers as the best for quality and reliability, which indicates that Germany is the UK's strongest competitor for attracting Japanese investment. However, 43 per cent say that Britain is the country in Europe which offers the best investment opportunities.

Of those that did not favour the UK most, 23 companies said that Germany offered equal or better opportunities than the UK, 12 named the Netherlands and 10 Ireland.

Electronics companies emerge at the top of the list of companies planning new facilities. Two other sectors planning expansion are categorised under "machinery" and "optical/photographic."

Japanese direct investment in the UK 1986–87. Available from Economic Development Briefing, PO Box 625, London NW3 2TZ, £85.

Nuclear waste options outlined

BY DAVID FISHLOCK, SCIENCE EDITOR

SEA dumping and shallow burial of Britain's radioactive waste are described as the "best practicable environmental option" (BPEO), in a study published by the Department of the Environment.

Environment Department scientists conclude shallow burial is the BPEO for over 80 per cent by volume of low and intermediate level radioactive waste produced in Britain.

The study says near-surface disposal – proposed for four potential new UK repositories announced last month – of low level and some intermediate level waste generated in Britain is economically and radiologically attractive.

Deep disposal is needed for more radioactive and longer living intermediate level waste.

The study says sea disposal of waste containing a low level of plutonium is the BPEO at least until it can be reduced in volume and packaged in a suitable way to make deep underground disposal more economically attractive.

Sea disposal of waste contaminated with tritium, arising from industrial processes, would also be the BPEO provided the waste contains little carbon-14.

Britain has 3,600 tonnes of radioactive waste packaged for sea dumping in 1983, when the operation was halted by union action.

Sea dumping would cause no detrimental health effects over the next 10,000 years, and would cost only £20m more than the cheapest possible disposal strategy, the study says.

Assessment of Best Practicable Environmental Options for management of low and intermediate-level solid radioactive wastes. Published by HMSO. £5.85

Philip Stephens previews Mr Lawson's budget options for the financial markets

City of London fears tax on transactions

THE RECENT euphoria in London's financial markets ahead of the budget and an expected cut in interest rates has masked a distinct unease that the City of London might not escape unscathed when Mr Nigel Lawson, the Chancellor of the Exchequer, stands up in the House of Commons on Tuesday.

Both the politics and the economics of the Chancellor's third budget have seemed to point to a new tax on the City. The big banks, which earlier this month unveiled record profits, have been quietly but actively lobbying behind the scenes to dscourage any attempt to cream off a percentage for the Exchequer.

What is clear is that the Treasury, facing a huge hole in its finances after the fall in North Sea oil revenues, has been analysing the possibilities for a new financial services tax.

Far less certain is whether it has managed to jump the legal, political and administrative hurdles which have wrecked many previous plans to increase the tax burden on banks and building societies.

The attractions of a financial services tax are obvious. Public money is tight, six-figure City salaries have hit the headlines and Mrs Margaret Thatcher, the Prime Minister, has made it clear that it is time for the Government to do something for the lower paid. The political logic in Whitehall does not differentiate between trying to claw something back from the £100,000 a year Eurobond trader and taxing banks or building societies.

Perhaps more important, Mr Lawson is under great pressure to give something to the City ahead of the Big Bang in October which will mark the internationalisation of London's securities markets.

In 1984 he cut the stamp duty on share transactions from 2 to 1 per cent. Now he is facing demands that, to ensure the success of the Big Bang, he must halve it again or remove it altogether.

The fine margins that securities traders will have in the new environment, the argument runs, will result in business being driven offshore if stamp duty is not phased out.

Reducing the charge would also fit in with the Government's ambition to create a "new army of capitalists" by tempting far more investors into the shares market.

The problem is that cutting stamp duty could be seen as the Government doling out more money to a City already awash with cash. That at least is how the Labour Party would characterise it and there are many on the government side who fear that such propaganda would prove effective.

One possible way out for the Chancellor would be to package a reduction in stamp duty in a much wider range of incentives to help the small shareholder. There has been considerable speculation that Mr Lawson would like to introduce something comparable to France's *Loi Monory*, which gives tax breaks for investments in the securities market.

That, however, would still not measure up to the "budget for the nurses" which Mrs Thatcher has foreshadowed.

Clawing back something from the City might, along with increases in taxes on petrol, alcohol and tobacco provide enough cash to allow some increase in income tax thresholds over and above that needed to keep pace with inflation, or possibly the introduction of a lower-rate tax band.

The banks are fairly confident that the Chancellor will not impose a "windfall tax" comparable to that announced by Sir Geoffrey Howe in 1981, while an extension of value-added tax to financial services is prohibited by European Community law.

In the wake of the international debt crisis the banks, nudged by the Bank of England, have been steadily building up their capital base. To introduce a windfall tax now would hardly be consistent. A charge directed at the banks would also run counter to the efforts over the last two years to promote greater competition between banks and building societies.

The banks therefore suspect that Mr Lawson has been examining two main options for a transactions tax which would embrace both banks and building societies.

The first might be a small charge levied on customer-originated entries – cheques, cash withdrawals and payments made from bank or building society accounts. The second could be a tax embracing all entries on account holders' statements, including payments such as salary transfers made by third parties.

Both would have to be administered by the banks and the extra cost would inevitably be passed on to the customer, either through a reimposition of standing charges or, more likely, through a widening of the differential between loan and deposit rates.

The clearing banks believe that a transactions tax is a plausible option, particularly since the Treasury is known to have been sifting through vast amounts of data passing through the City's clearing systems.

Their hope is that Mr Lawson will realise that, in the new environment in the City, a tax on one aspect of their business will simply result in it being transferred

"Any special tax will be inefficient, unfair and probably against stated government policies of one sort or another," says one clearing bank official with an obvious interest. Perhaps more important, the Exchequer may find that its tax-take in the first year is worthwhile but, two or three years later, has dwindled to virtually nothing.

Interest rate cut 'delayed by budget'

By Kevin Brown

A CUT in interest rates was being delayed by the Government to add extra sparkle to a budget in which the Chancellor of the Exchequer had little room for manoeuvre, Labour MPs claimed in the House of Commons yesterday.

Mr Roy Hattersley, Labour's deputy leader and economics spokesman, challenged Mr Nigel Lawson, the Chancellor, to "break the habit of a lifetime and be frank with the House," about the prospects for Tuesday's budget.

Mr Hattersley told MPs: "The squalid fact is that the inevitable reduction is being held back to give a little shine to a budget which would otherwise be very lacklustre indeed."

Mr Lawson shouted back through Labour jeers: "I am glad to note that you are expecting a reduction in interest rates. Not so long ago you were telling the House there was bound to be an increase, and there was not."

The Chancellor said interest rates had remained unchanged since January 8. He told Mr Hattersley: "You were wrong then, and you are always wrong."

There was pressure from Conservative backbenchers for a cut in interest rates to help industry.

Mr Michael Latham (Conservative) said all the "economic jigsaw pieces" were in place for an immediate and significant cut in interest rates. He said this would be of great value both to industry and the Government's counter-inflation policy. He demanded: "What is preventing this?"

Mr Lawson said there would be benefits from lower interest rates but he urged MPs not to exaggerate the effects of the present level of rates.

He said the February survey of monthly business trends by the Confederation of British Industry had shown the best responses on prices and outrut since 1975.

Mr Lawson said other countries had benefited unambiguously from the recent fall in oil prices. The effects of oil price changes on the UK were bound to be more mixed. He added, however, that the trend of falling oil prices and interest rates throughout the world could be nothing but helpful to Britain.

The Chancellor and other Treasury minsters deflected all questions about the likely contents of Tuesday's budget. But there were a number of last-minute representations by MPs on both sides of the House.

Mr Anthony Beaumont-Dark (Conservative) was cheered by Labour MPs as he urged the Chancellor to spend whatever money was available on help for the decaying inner cities, rather than on tax cuts. Mr Lawson clashed repeatedly with Labour MPs over the Government's claim that spending commitments made by Labour would cost £24bn a year to implement.

Both Mr Lawson and Mr John MacGregor, the Chief Secretary, stood by the figure, which has been dismissed as wildly inaccurate by Labour spokesmen. Mr James Lemond (Labour) asked whether it was right for civil servants' time to be spent in costing the opposition programme.

Mr Ian Wrigglesworth, the Social Democrat Treasury spokesman, claimed that the burden of taxation of individuals had increased since 1979.

Lack of engineers 'leads skill shortages'

BY ALAN PIKE, INDUSTRIAL CORRESPONDENT

A LACK OF professional engineers emerges as British industry's most serious skill shortage problem in a survey published by the Confederation of British Industry (CBI) and Manpower Services Commission (MSC) today.

The survey shows that 38 per cent of employers who are experiencing a shortage of engineers expect the problem to worsen during the next 12 months. And 71 per cent of the companies which are unable to recruit all the engineers they need have already suffered from the problem for more than a year.

"This is therefore not only the most prevalent shortage but also the most persistent," comments the report.

The other most commonly mentioned skill shortages across all sectors of industry were those of machinists, assembly and inspection grades, textiles and clothing occupations, technicians and electrical and electronic fitters.

A total of 15 per cent of companies said that their output was likely to be constrained over the next four months by a shortage of skilled labour – up from 13 per cent when the CBI/MSC survey was last conducted a year earlier.

Across all sectors of industry, says the report, "22 per cent of respondents expect further shortages to emerge in the course of the next 12 months, with professional engineers being the most widely reported – computer and management services personnel shortages are also significant." The survey discloses that 8 per cent of companies expect labour shortages to limit investment over the next year, compared with 6 per cent a year earlier.

Employers are shown by the survey to be more likely to react to most types of skill shortage by trying to recruit new staff, rather than retraining existing employees. Many also consider sub-contracting the work for which they are unable to recruit sufficient skilled employees.

Mr Bryan Nicholson, MSC chairman, in response to the report, said he believed industry was finally beginning to recognise the need to invest in training if skill shortages were to be eliminated. But too many employers still tried to take the easy way out and poach staff from other companies.

Raleigh cycle production to be restructured

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

MANAGEMENT at TI's loss-making Raleigh bicycle factory has warned the 1,800-strong workforce that redundancies are inevitable as a result of radical changes in production which are being sought.

The company, in consultation with workers this week, has outlined plans to consolidate all production in just 10 acres of the 64-acre site in Nottingham. The land freed and the reduction of work in progress will more than finance the changes necessary over the next two years.

The aim is to reduce the time taken for producing a cycle from the present six weeks to five working days. The existing production process involves components travelling several miles around the site, crossing two roads, a river and a main-line railway.

Detailed negotiations will be necessary to introduce a new pay grading system and modernisation of the 20-year-old incentive payment scheme.

The Nottingham site has served the bicycle markets of the world since the early years of the century. But the operation, which came to dominate UK and world markets, has suffered nothing but losses since the late 1970s. The workforce has been steadily reduced from more than 6,000 in 1979.

The most recent of a series of rationalisation strategies to adjust the Nottingham factory to an annual output of 1m bicycles, rather than 2m, ran into problems in 1984 with a new £6m computer-controlled paint and assembly plant. TI then called a halt to investment.

Teething problems of the plant were overcome, and costs cut last year, but two bad summers in Britain and the passing of the BMX bicycle craze led to a 30 per cent drop in the UK market.

The new proposals follow a detailed study by TI of the best practice in cycle manufacture throughout the world. Mr Frank Ruhemann, a TI main board director, tipped as a possible successor to the present chairman, Mr Ronnie Utiger, was given the task last October of finding a solution to Raleigh's problems.

Options have been considered against the background that the costs of a total shutdown would be more than met by the benefits to TI's cash flow. But TI expects growth in the West European cycles market and believes Raleigh can have a profitable future.

Raleigh has told employees that a new production system based on manufacturing cells, in which workers take responsibility for both output and quality, can cut costs and open up markets. Raleigh has drawn extensively upon Japanese practice of just-in-time assembly, under which supplies of components are kept to a minimum but are readily available for assembly.

Raleigh, in addition to reorganising its own production, has opened discussions with suppliers, which account for about 45 per cent of the cost of production.

Management has given assurances that redundancies will not be necessary in the summer or autumn. The eventual cuts in the workforce will depend upon the speed in introducing the system, the cutting of costs and the performance of the UK and European markets – both of which are expected to expand over the next 12 months.

RULING SUPPORTS GRANADA IN TAKEOVER FIGHT

Rank pursues bid despite legal setback

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE RANK Organisation is to go ahead with its opposed £753m takeover bid for the Granada Group, despite having failed in the High Court yesterday to remove the block imposed on the bid by the Independent Broadcasting Authority (IBA).

The court refused to quash the IBA's decision on February 25 not to give Rank permission to vote more than 5 per cent of its 8 per cent holding in Granada, which includes Granada Television.

Under Granada's articles of association, no shareholder may vote more than a 5 per cent holding without the IBA's approval.

Rank is to appeal against yesterday's ruling. The case will be before the Court of Appeal next week.

Mr Michael Gifford, chief executive of Rank, would not comment on the ruling as he left the court, but he said: "We intend to proceed with our bid."

Mr Alex Bernstein, chairman of Granada Group, said that the ruling had not surprised him. "I always thought that Rank's case was ill-considered and the judgment seems to have indicated that it was."

Sir Denis Forman, Granada Television's chairman, described the judgment as "very firm." The IBA said later that it was delighted with the ruling, which vindicated the procedures it had adopted.

Mr Justice Mann ruled that Rank, whose legal move had been strongly resisted by both the IBA and Granada, fell at the first legal hurdle facing it in the judicial review procedure under which it made its claim.

By that procedure, the court can interfere with a decision of a public body like the IBA only if it made the decision under a power given by the statute under which it operates.

The judge said that, when the IBA made the decision under attack, it had not been exercising a power given by the 1981 Broadcasting Act. It had been exercising an adjudicatory power conferred on it by Granada's articles of association.

He rejected Rank's contention that the IBA had acted unfairly in not giving Rank an opportunity to make representations before the decision was made.

He also rejected a complaint that the IBA had followed an inflexible policy not to allow a change of control of a successful programme contractor.

The IBA was entitled to have such a general policy, provided it looked at each case on its merits. It had done so in this case, the judge said.

Rank's shares slipped 5p to 532p. Granada's closed at 272p, down 10p.

Shareholders' ballot, Page 10

Gas consumers will get inquiry powers after privatisation

BY DOMINIC LAWSON

THE GOVERNMENT told the all-party Energy Select Committee of the House of Commons yesterday that there would be no significant changes to its chosen method of privatising British Gas, despite the committee's very strong criticism of the Government's approach.

But at Monday's report-stage reading of the gas Bill, the Government will yield to pressure from the National Gas Consumer Council by giving a future Gas Consumers' Council the right to investigate complaints about servicing and installation of appliances carried out by a privatised British Gas.

This concession does not appear in the bland reiteration of the Government's views on gas privatisation sent to the committee.

Mr Ian Lloyd, chairman of the committee and a Conservative MP, said yesterday: "This is not good enough. The Department of Energy could have met us on a number of points without losing face. It is a reflection of the lack of authority of the House of Commons in its dealings with Government departments." But Mr Lloyd said he did not expect Conservative members of the committee to vote against the Government in the third reading of the Gas Bill "since we do not oppose the policy."

The main thrust of the committee's objections was that the Government was not doing enough to ensure the break-up of British Gas's basic monopoly and to encourage competition.

The Government yesterday restated its view that gas would remain competitive because of its fight for market share against alternative fuels. Mr Lloyd said yesterday that "inter-fuel competition impacts only at the margins."

The Government again refused to change its aim of allowing British Gas to pass on to domestic consumers the cost of increasing its gas supplies.

However, the Government last week answered one of the committee's complaints by easing the market for gas exports and imports. In the committee stage of the Bill, the Government further conceded the right of the future Director of Gas Supplies to promote competition in the industrial gas market. The concession to be announced next week giving more powers to the Gas Consumers' Council suggests that the Government is not entirely impervious to the criticisms that have been levelled against the gas Bill.

Distributor takes over ailing Alfa network

BY JOHN GRIFFITHS

A STRATEGY to revive the severely battered image of Alfa Romeo in the UK is now being drawn up by Tozer Kemsley and Millbourn (Holdings) (TKM), the UK vehicle distribution and property group. TKM confirmed yesterday that it has taken control of Alfa Romeo's formerly wholly owned UK sales and distribution subsidiary.

Under a deal reached with Alfa GB's Milan parent, TKM has acquired 80 per cent of the share capital and full management control of the loss-making British company.

No value was put on the deal, but the cost to TKM was described as "nominal" and equal to the UK company's net asset value on completion. Alfa Romeo is to absorb the losses accumulated by the UK company as part of the agreement. In its last published accounts, to December 1984, these amounted to £21.69m.

Late last year Mr Rinaldo Hercolani, Alfa GB's managing director, said the expected losses for 1985 would be reduced to about £3m. Mr Hercolani and other Italian board members are being reassigned to other posts within Alfa Romeo. TKM will take control of the British company on April 1.

"We are buying a cleansed company," said Mr Lawrence Kemmish, who is to be chief executive, with TKM group chief executive Mr Reg Heath as chairman.

Alfa Romeo sales in the UK have continued on a steady downward path this year. A sales peak of 13,000 was reached in 1979, since when they have fallen to 3,200 last year. In the first two months of this year only 371 cars were sold, representing a 0.11 per cent market share.

Mr Kemmish acknowledged yesterday that TKM faced "a tremendous task" in restoring Alfa's UK fortunes.

A priority would be to take action to support the resale value of Alfa Romeos, which have been badly hit by excessive discounting. "The discounts have got to stop," Mr Kemish said.

Jobs will be issue in key by-election

By John Hunt

THE FULHAM by-election campaign opened in earnest yesterday with Thursday April 10 announced as the date for polling in this crucial political battle in West London.

The Labour Party was first off the mark with Mr Roy Hattersley, its deputy leader, giving a press conference with Mr Nick Raynsford, the party's candidate.

They highlighted unemployment as the issue on which Labour would be spearheading its campaign. Mr Hattersley claimed that a Labour government would introduce a programme which would create 1m jobs over two years.

The other candidates, Mr Matthew Carrington for the Tories and Mr Roger Liddle for the Social Democratic/Liberal Alliance, immediately counter-attacked and made it clear they were prepared to do battle on this contentious ground.

The announcement ends the period of "phoney war" in which all the candidates have been active and the parties have been building up their election machines.

The contest is caused by the death of the Conservative MP Mr Martin Stevens, who won the seat from Labour in 1979 and held it with a majority of 4,789 in the 1983 general election (46.2 per cent of the vote). Labour was second with 34 per cent and the Liberals, who fought the seat for the Alliance, were third with 18.3 per cent.

It is important to the Tories to hold the seat after the Government's recent difficulties over the Westland helicopter company and BL, the state-owned vehicles group, and its poor showing in some of the public opinion polls.

For Labour it is a critical battle to demonstrate that Mr Neil Kinnock, the party leader, is succeeding in pulling his party together with the aim of winning the next general election.

The Social Democrats, representing the Alliance this time, also badly need a victory to underline the Alliance's credibility as a valid alternative to the two traditional parties.

The outcome in Fulham could also influence the result of forthcoming by-elections in two other Tory-held seats. These are at Rydale in north Yorkshire, caused by the death of Mr John Spence, MP, and Derbyshire West, where the MP, Mr Matthew Parris, will be leaving to become a presenter on London Weekend TV.

The latest national opinion poll, Marplan, bunches the parties closely together with Labour at 35 per cent, the Conservatives at 32 per cent and the Alliance at 31 per cent.

The SDP launched its campaign last night with a meeting addressed by Dr David Owen, the party leader. Earlier Mr Liddle emphasised his party's budget proposals which, he said, had been properly costed and would produce 750,000 jobs over three years.

He said that SDP canvassing showed that 40 per cent of the Fulham electorate had yet to make up their minds on how to vote.

Whitehall needs line of appeal, say MPs

A COMMITTEE of MPs is understood to have decided that the Government should appoint an ombudsman to give an independent source of appeal for civil servants who are asked to carry out duties with which they are in fundamental disagreement, **Hazel Duffy writes.**

Sir Robert Armstrong, head of the Home Civil Service, does not believe in the need for an ombudsman, however. He told the cross-party committee, which is investigating relations between the Civil Service and Government, that an ombudsman would greatly complicate a two-way relationship which had to be one of great confidence.

The committee's report will be published at a time of growing disquiet among many former politicians and civil servants about inadequacy of rights for civil servants and declining morale in the service.

□ **COLLIERY** supervisors have been told by the National Coal Board (NCB) that mining jobs will be lost if they vote for an overtime ban next week over the closure of a loss-making pit in Northumberland. The NCB said that with the fall in oil prices industrial action could not come at a worse time.

□ **CAR** and commercial vehicle production last month was held back by the unofficial stoppage by 1,700 workers on the trim and final assembly lines at Ford's Halewood plant on Merseyside which cost the output of 10,500 vehicles. According to Department of Trade and Industry provisional estimates, car production in February at 74,000, on a seasonally adjusted basis, was well below the 86,000 for the same month last year and did not match the 76,000 in January.

□ **ATTEMPTS** aimed at ensuring that Mr Arthur Scargill has to stand for periodic re-election as president of the National Union of Mineworkers were quashed at the union's executive meeting in Sheffield, northern England. Two motions tabled for the union's annual conference in July, calling for the president's casting vote to be restored, were ruled out of order by Mr Mick McGahey, the NUM vice president.

□ **PHILIPS**, the Dutch electrical and consumer group, is to sell its washing machine factory at Halifax, Yorkshire, to a management consortium. Philips had announced last year that the factory was to be closed.

The purchase price was not disclosed but is understood to run to several million pounds.

□ **SONY**, the Japanese electronics company, predicted a sharp increase in sales of compact disc players in the UK this year. It said the UK was now the fastest-growing market after Japan.

□ **THE SECOND** reading of the controversial Shops Bill which seeks to remove remaining restrictions on Sunday trading hours, will almost certainly be shortly after the end of parliament's Easter Recess.

UK NEWS

Michael Donne studies delays in renegotiating the Anglo-US Bermuda Two agreement

Long haul over North Atlantic air pact

Lord King (left) and Mr Nicholas Ridley: worries over air competition

OFFICIALS of the Department of Transport will step up efforts over the next few weeks to renegotiate part of the Anglo-US Bermuda Two air agreement governing air services between the two countries, so as to avoid a damaging battle that could hurt all airlines flying the North Atlantic.

Problems with Bermuda Two have already delayed the proposed privatisation of British Airways (BA), as uncertainties over the pact prevented a valid prospectus being written for the sale of the airline's £1bn shares.

But much more is at stake than that. Agreement is needed on what is called Annex Two of the pact, which sets out rules controlling capacity that airlines of both countries provide on the UK-US routes.

The annex expires in July, and if no new agreement on it is reached airlines will be free to indulge in a capacity war, providing however many seats they like to the point of "dumping," in a battle for traffic that would be bound to benefit US airlines because of their greater number.

During the renegotiation of the pact, the UK also hopes to clarify once and for all the whole question of competition on the North Atlantic. It will seek to get the US to accept that US anti-trust and competition laws should not override Bermuda Two. The UK thereby hopes to ensure that no UK airline will be subjected again to anti-trust litigation such as that which followed the collapse of Laker Airways, which caused a long delay to BA's privatisation.

Mr Nicholas Ridley, Transport Secretary, has left the US in no doubt as to the strength of the UK government's feelings on the matter. He said in Washington in mid-February that the North Atlantic market was already unfavourably biased against UK airlines.

He said the heavily protected US domestic market put UK carriers at a big disadvantage in competing for US-originating traffic, especially at gateways where there is a substantial proportion of connecting traffic which enjoys the double protection of reserved internal routes and reservations systems biased in favour of US airlines.

"Our airlines do not enjoy a comparable advantage to anything like the same degree on our side of the Atlantic, where your (US) airlines have substantial access to all European points beyond London," he said.

Mr Ridley spoke in equally strong terms on the way the US imposes its domestic laws on international airlines. "We do not accept that the sole arbiter of what should and should not be the laws governing competition on UK-US services should be US law and the US courts.

"We are ready and willing to discuss these matters, and so far as international aviation is concerned, ready to consider breaking wholly new ground in order to establish a bilaterally agreed regime which will meet the spirit and policy objectives of the domestic laws in both our countries."

But he added: "We are not prepared for these matters to be regulated and enforced by the unilateral application of the US anti-trust law."

The UK government is so concerned to see the matter cleared up and Annex Two re-established as an integral part of Bermuda Two that it is prepared to accept a further frustrating delay to BA's privatisation, despite the gloom it will undoubtedly cast over BA.

It has been suggested the privatisation could still go ahead. There have been sharp differences of view before that have been cleared up without disruption of services, and the same thing may be possible again.

The Department of Transport disagrees. It believes, from Mr Ridley downwards, that if it came to a capacity fight on the North Atlantic, a newly privatised BA could be seriously hurt, which would not be a good start to its career in the private sector.

It is also argued that chances of an early settlement of Bermuda Two issue are poor. Talks have not been going well. The US Government, dedicated to deregulation, is less interested than the UK in seeing a new capacity arrangement.

Moreover, the US has never liked Bermuda Two. It views it as a trading agreement that benefits UK airlines more than US ones. It sees no reason why it should take Annex Two further by adding on to it freedom from anti-trust and competition laws in favour of the UK.

As the situation now stands Anglo-US talks could drag on for months in a deteriorating atmosphere of uncertainty. The UK government hopes it will not come to that. If a revised Annex Two can be agreed soon, BA might still get back into the privatisation queue later this year or early 1987.

Shareholder vote on political donations could set precedent

A ballot this week at the Rank Organisation annual meeting gave directors power to make political donations. Michael Pinto-Duschinsky reports on the ease with which shareholders were able to express a view on a controversial choice

A BALLOT held by shareholders of Rank Organisation, the UK leisure and entertainments group, could have far-reaching political implications. A vote taken at the annual shareholders' meeting this week gave Rank directors authority to make donations to political parties.

Proxy votes were 25m (12.6 per cent of issued ordinary shares) for the resolution, 5m (2.5 per cent) against with 8.5m (4.2 per cent) abstentions. The resolution was then passed on a show of hands.

The company had suspended its normal contributions to the Conservative Party, pending the outcome of the ballot.

The vote could set a precedent. Rank is probably the first major company to hold a ballot about political contributions, though a few smaller companies such as Barlow Holdings and Foreign and Colonial Investment Trust have already done so.

Other companies which have been actively considering consulting shareholders include Marks & Spencer and Willis Faber. Both have contributed to Conservative funds.

The system of regulating payments to parties came under renewed attack after the Trade Union Act 1984, which obliges unions to obtain the approval of members every 10 years for the establishment of a political fund.

Alliance and Labour parties have criticised the apparent unfairness of rules which place restrictions on trade unions but leave company directors free to make political payments without restraint.

In June 1985 a working party established by the Constitutional Reform Centre and the Hansard Society for Parliamentary Government recommended shareholder ballots as the main ingredient in a code of practice for company political donations.

A private members Bill introduced by Mr Derek Fatchett, a Labour MP, would make such ballots compulsory.

The Conservative Party has always rejected the parallel between political payments by unions and companies. About 85 per cent of central Labour funds comes from unions, while Conservative Central Office receives a smaller proportion of its income (55-60 per cent) from companies.

Trade union political levies raise about twice as much as the combined political contributions of companies. Unlike unions, which receive block votes at the annual Labour party conference based on their affiliation payments, companies receive no such privilege in the Conservative Party.

Pressure for reforming the system of company donations which was building up in 1985, has probably diminished because the risk to Labour funds posed by the 1984 Trade Union Act has failed to materialise. Unions with political levy funds have balloted solidly to retain them. Now that the threat to Labour's income has been removed, company chairmen may feel less need to alter their own pattern of giving.

On the other hand, shareholder ballots could prove an attractive device for legitimising political payments to the Conservative party. The fact that the Rank shareholder vote led to a clear majority in favour of political donations may encourage other companies to bring forward similar motions at their annual meetings.

If this happens, the benefits to the Conservative party – and to a lesser extent the Alliance – could be considerable. At present, only a minority of companies (about 20 per cent of The Times 1,000 top industrial companies), make political donations.

The ballot held by Rank illustrated the ease with which shareholders can be consulted. It also showed some of the limitations of such votes as a democratic device. A bare 2,100 out of nearly 31,000 shareholders (7 per cent) returned their proxy forms. Since individual shareholders have only 6 per cent of Rank shares, the outcome was determined by the votes of large institutional shareholders.

Michael Pinto-Duschinsky is a senior lecturer in government at Brunel University, Uxbridge, Middlesex.

Tourist boards unite to fight foreign competition

FINANCIAL TIMES REPORTER

THE BRITISH tourism industry is spending record amounts on facilities and promotion to meet fierce competition from foreign holiday resorts, leaders of the four UK tourist boards said yesterday. Large projects under construction account for more than £900m ($1.3bn).

The English, Northern Irish, Scottish and Welsh tourist boards have joined together to set up a new association, the UK Holiday Bureau, to co-ordinate activities and publicity. They plan a three-month public relations campaign.

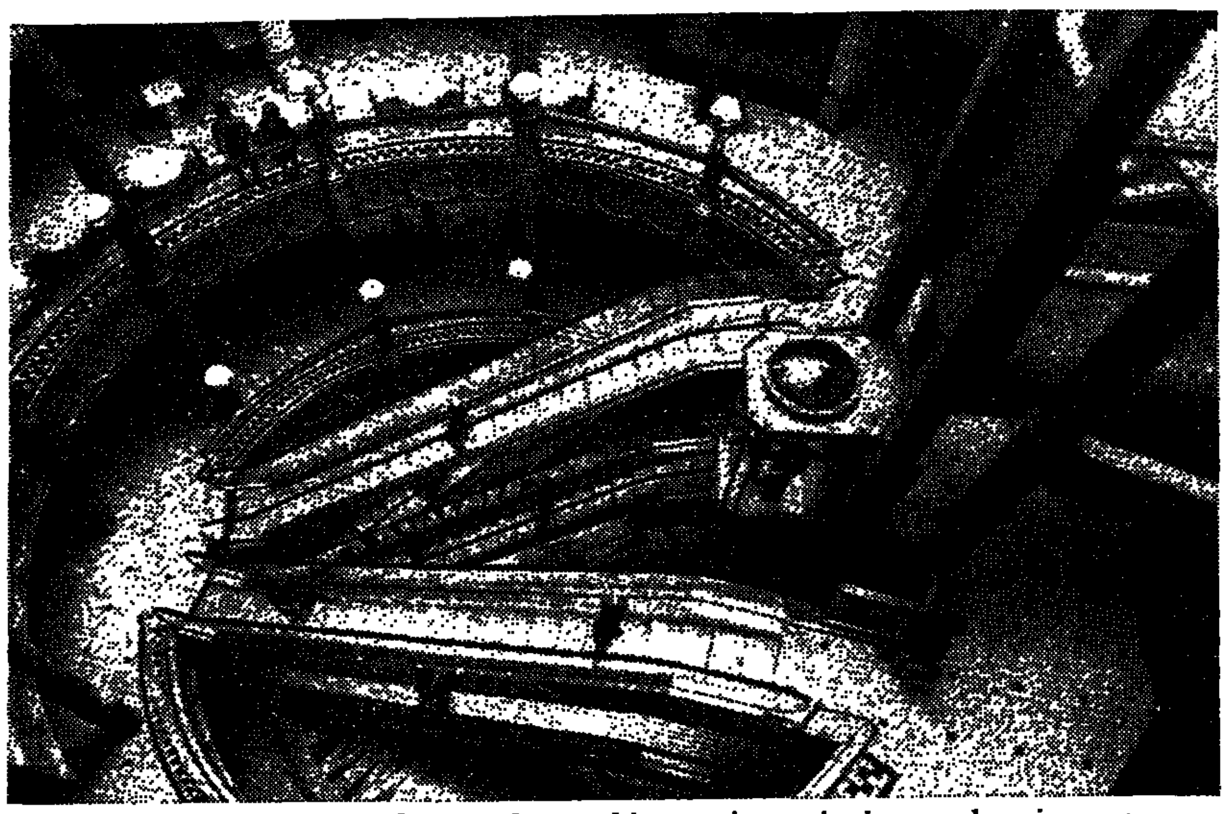
The tourist boards say UK citizens took more than 40m holidays in their own country last year and there were 16m foreign visitors. They believe the domestic industry can continue to maintain significant growth.

Investments are taking place in hotels, marinas, theme parks, sport and wet-weather facilities, conference centres and self-catering holiday villages.

The tourist boards are together spending more than £11.5m on promoting UK holidays to the home market; 10 per cent more than last year.

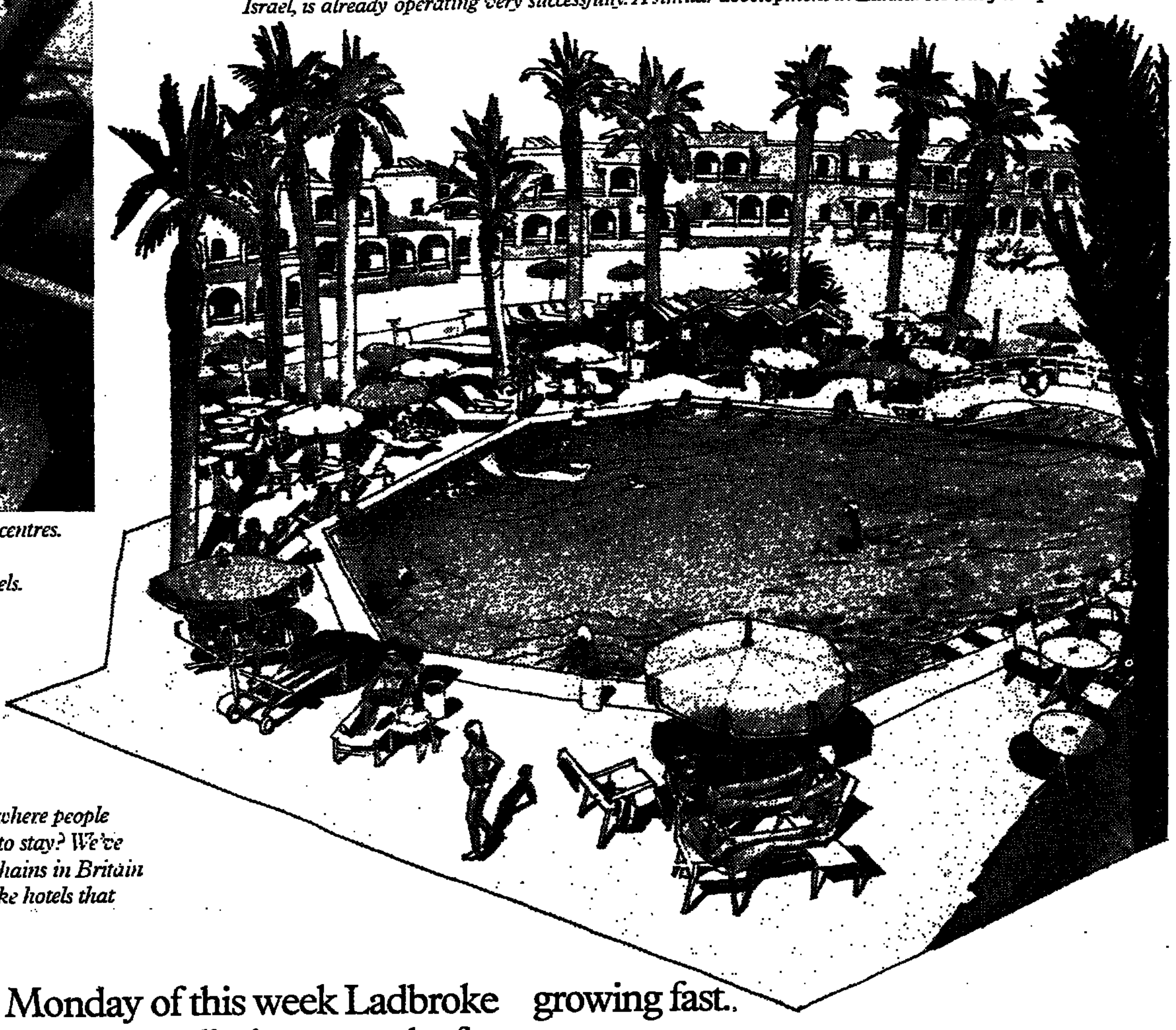
Financial Times Friday March 14 1986

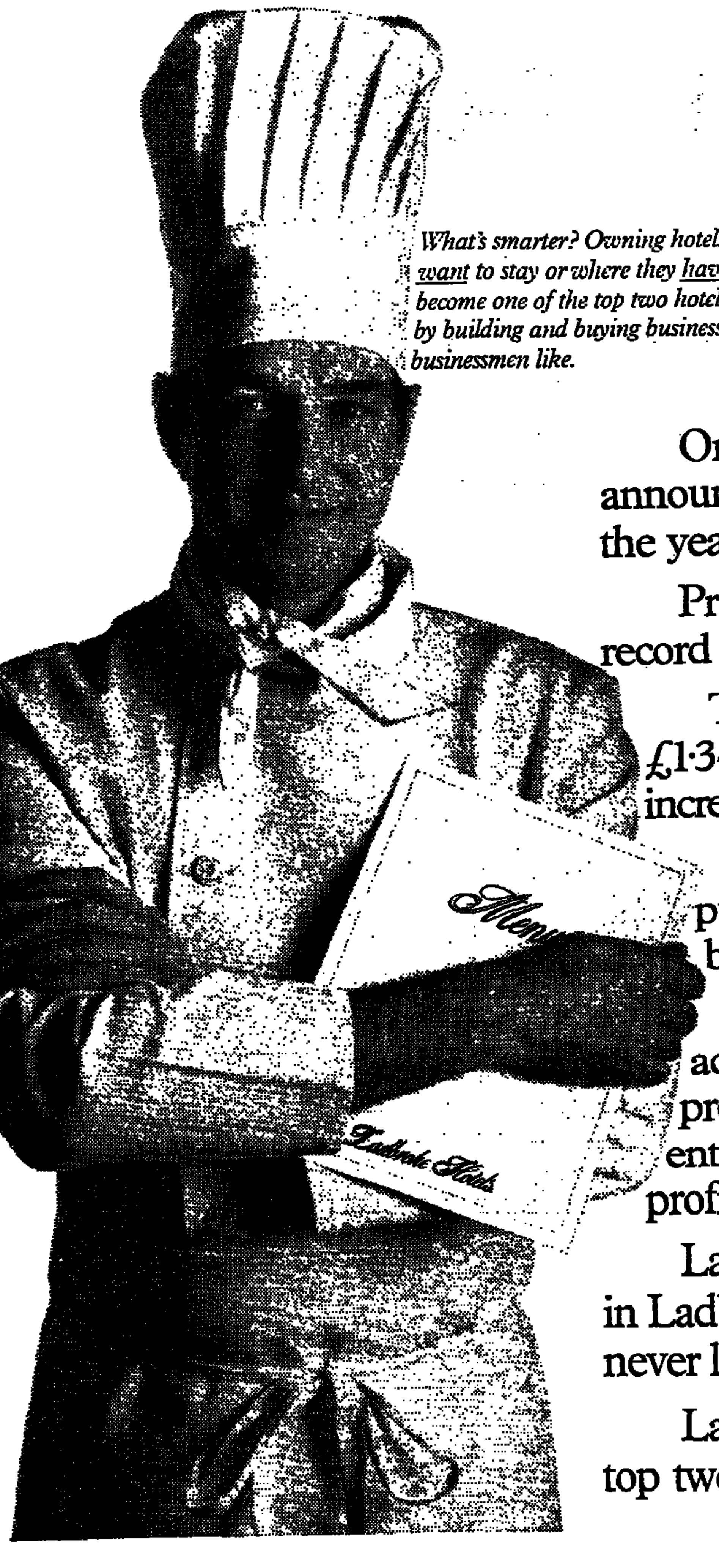
Ladbroke.
The Far From Leisurely Leisure Group.



Some of the most breathtaking modern architecture is seen in the new shopping centres. Ladbroke are leading the way with this 100,000 sq.ft. development covered by a giant glass atrium giving natural light on all three shopping levels.

We're looking overseas for growth in our holiday business. Our 1,000 bed villa development in Eilat, Israel, is already operating very successfully. A similar development in Lanzarote has just opened.





What's smarter? Owning hotels where people want to stay or where they have to stay? We've become one of the top two hotel chains in Britain by building and buying businesslike hotels that businessmen like.

On Monday of this week Ladbroke announced their preliminary results for the year ending December 31st, 1985.

Pre-tax profits were up 50% to a record level of £75m.

Turnover was up from £1·12bn to £1·34bn and earnings per share increased by 18%.

It was an encouraging year (to put it mildly) with all three core businesses performing well.

Hotels, property and racing achieved a combined increase in pre-tax profit of 42% while the entertainments division boosted its profit contribution by 35%.

Last year was certainly a high point in Ladbroke's history and the future has never looked more exciting.

Ladbroke Hotels are now one of the top two hotel chains in Britain and growing fast.

We've recently opened new hotels at Swansea, Livingstone and Basingstoke and we're currently building at Manchester Airport and Portsmouth.

In London we're relaunching the Curzon in Mayfair and the Sherlock Holmes in Baker Street (where else?).

Because our hotel business caters primarily for the businessman who has to travel we're less dependent on tourism than many hotel groups.

Manchester may be a less exotic location than Rio but it appears more often on an executive's itinerary.

By next winter we'll have invested £15 million bringing the 22 hotels we bought from the Comfort Group up to Ladbroke standards. (And need we say it, Ladbroke profitability.)

Our racing division had an outstand-

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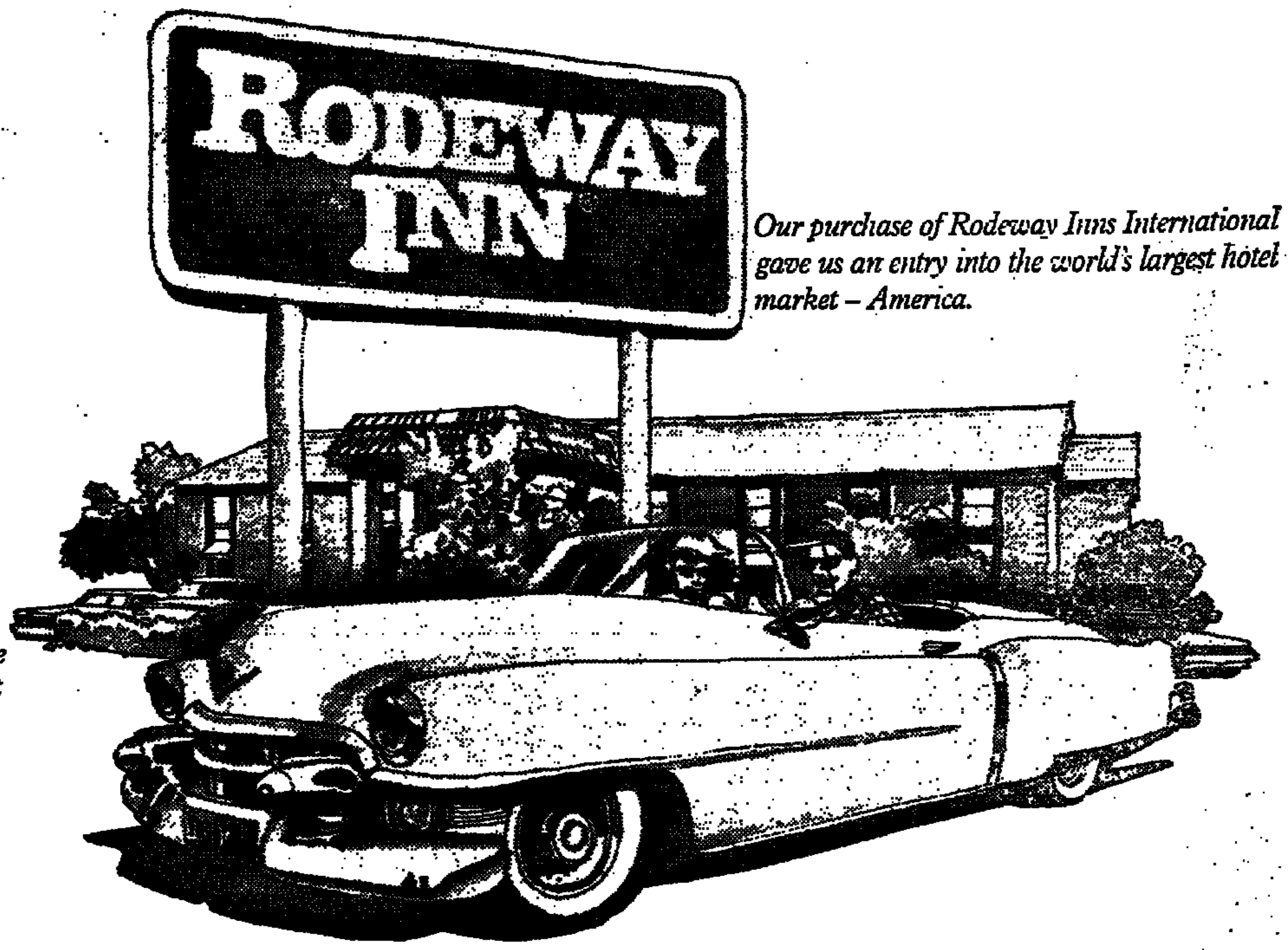
Laskys is a chain of stores specialising in home entertainment. We've recently extended the product range to include photographic equipment, and the results have been extremely encouraging.

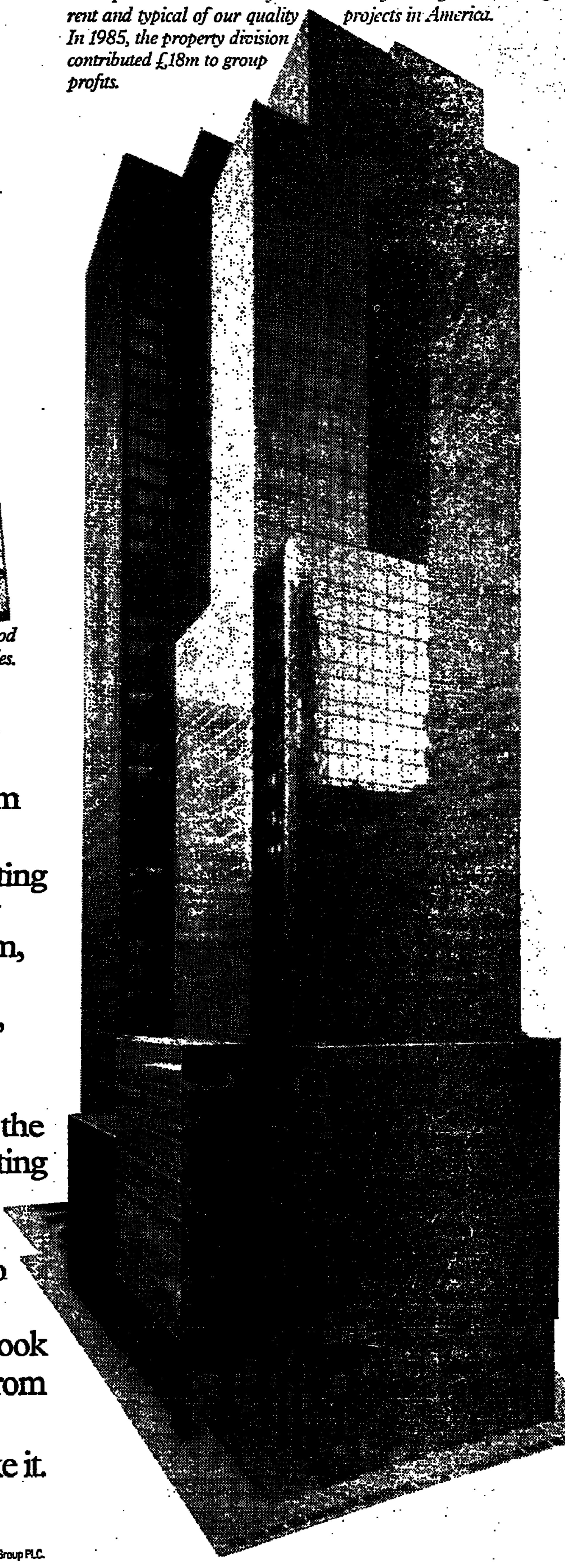


Our purchase of Rodeway Inns International gave us an entry into the world's largest hotel market – America.

Thanks to new legislation, the sport of kings can now be watched in more palatial surroundings. As world leaders in off-track betting, Ladbroke welcome the changes.

Our investment in publishing is bringing good results. With the recent acquisition of Senews we now own 74 titles.

This is Manhattan Tower, a 275,000 sq.ft. 35-storey Ladbroke development in the heart of New York City. It's high rise and high rent and typical of our quality projects in America. In 1985, the property division contributed £18m to group profits.



ing year in 1985 and with over 1,500 shops in the U.K. we increased our share of the off-track betting market to over 21%.

In Belgium we own over 800 betting shops and last year we bought a race course in Michigan.

(When legislation allows off-track betting, we'll be ready for the off.)

But the most pleasing development happened here in Britain earlier this week.

For the first time, betting shops were allowed to show live TV and satellite coverage of sporting events and to provide new facilities for their customers.

We have already invested in the most modern communication and computer technology to give our clients a service that's second to none.

We call it the 'Greatest Show in Town' and even allowing for a little commercial hyperbole, it does seem to be very popular with our customers.

Our U.S.A. properties are establishing a substantial rental stream and valuable dollar assets.

Here in Britain, we're concentrating on the retail sector with major new schemes in Maidstone, Birmingham, and Bristol and out of town developments in Crayford, Hendon, Perry Barr and Cwmbran.

With leisure-time spending projected to increase by 8·5% in 1986, the entertainments division is also expecting to do well; publishing is expanding, holiday bookings are ahead of 1985 levels and Laskys is again expected to improve its performance.

As you can see from this brief look at our activities, the future looks far from leisurely.

And that's exactly the way we like it.

Ladbroke.

The director of Ladbroke Group PLC have taken all reasonable care to ensure that the facts stated and opinions expressed are fair and accurate. The directors accepted responsibility accordingly. One of a series of advertisements from Ladbroke Group PLC.

THE PROPERTY MARKET BY MICHAEL CASSELL

Squaring up for the final showdown

AS THE war of nerves between Stock Conversion and Stockley steps up, the two companies meet again today to try and find a way out of the deadlock.

The fate of the 26.5 per cent equity stake held by Stockley in one of the UK's most dramatically revitalised property groups, should soon be resolved, though the chances of a peaceful conclusion or a bloody battle seem even.

Over the last 12 months, the two sides have examined a variety of options aimed at putting the two companies together, including the injection of selected assets into a joint operation.

A year ago, it looked as though Stockley might bid for Stock Conversion. More recently, however, it has appeared that the tables might be turned. Now it seems increasingly likely that final failure to find an agreed solution to the situation—not yet a certaintv—could quickly end up in a full-scale takeover battle.

After months of silence, during which both sides have apparentlv been attempting to find a friendly formula to end the deadlock, the two companies have started to lift the veil of discretion surrounding their discussions. Their posturing is reminiscent of the usual scenes at a big fight weigh-in.

The only trouble is that both parties now appear to hold diametrically opposed views on exactly what is happening. Stock Conversion let it be known at the start of the week that talks aimed at resolving the position, via the acquisition of its unwelcome shareholder, had come to a complete standstill, basically because Stockley was overvaluing its own worth.

The impression emerging from the Stock Conversion camp was that Stockley was now under increasing pressure to solve the situation, its room for manoeuvre restricted bv a high, initial purchase price weighed down by its extensive development commitments and facing an increasingly impatient bystander in the shape of European Ferries, which holds 29.9 per cent of the property company's voting shares and in which P & O has a 20 per cent stake.

Evidence of its difficulties apparently lay in Stockley's decision not to proceed with some of its proposed developments, such as the office project originally planned by EuroFerries for Hudson's Place in Victoria, alongside the ominously empty Stockley House. The site is up for auction.

In the meantime, the message was that Stock Conversion's new-look management was leaping Stockley to its "entanglements," happy to power ahead with plans to consolidate its image as an aggressive and ambitious property group requiring no outside help.

The company says it is on line for another record year, with peak profits, dividend and asset growth guaranteed—the latter rising by 10 per cent in the first half alone.

Stock Conversion stresses that much of the emphasis this year will be centred on the City of London, where this year it will submit planning applications for around 500,000 sq ft of office space. Apart from those already announced, like the Old Bailey proposals, Stock Conversion has just acquired a long lease from Phoenix Assurance on 143-149 Cannon Street, now occupied by Coutts Bank, where it plans a 25,000 sq ft office project.

Two other planned applications, not yet disclosed, will add 270,000 sq ft to the City total. Beyond the Square Mile, the company has submitted plans for 125,000 sq ft of retailing space on its Western Avenue site.

There can be no question that, whatever the final outcome, Stock Conversion has reacted strongly and imaginatively to the shock disposal of the share stake previously held by Equity Trust, on behalf of Robert Clerk, one of the company's co-founders. Stockley can certainly take some indirect credit for injecting fresh energy and enthusiasm into a company which had, for too long, been happy to sit back and enjoy the fruits of its earlier labours.

Over at Stockley, however, the emphasis this week has not been on what it has done for Stock Conversion but on the strength of its own position and its own state of health. The picture, needless to say, hardly squares with that presented by Stock Conversion.

Firstly, it emphasises that talks are not over, as today's meeting—called at its request—proves, although hopes of a friendly settlement do not appear high. Secondly, Stockley emphasises that next week's annual report will show a balance sheet capability and financial position capable of shattering any propaganda concerning its virility. Neither does it have any doubts about the value of its Stock Conversion stake.

As for the development programme, Stockley says it is making good progress on flagship schemes like Stockley Park and emphises the dramatic impact that the revised City of London development plan could have no projects like Paternoster Square. Hudson's place, it seems, carries a cash underwritten commitment from EuroFerries which will be unlocked, to Stockley's benefit, by a sale.

EuroFerries, it appears, is not putting any pressure on Stockley and no discussions have yet been held between the two companies, or with P & O. But the Stockley team is making it quite clear that it has no intention of parting with its 26.5 per cent stake which in the absence of an agreed deal with Stock Conversion, might well be used as a platform for a bid involving EuroFerries and P & O. EuroFerries might not itself be particularly predatory but Sir Jeffrey Sterling, who knows a thing or two about property, is altogether different.

When they meet today, both sides will no doubt try again to find common ground and a friendly solution. Failure could rapidly bring about a confrontation the likes of which the property sector has not seen for many years.

Oxford sells $1bn portfolio to Bell Canada

HAVING taken on a new lease of life under the ownership of Bell Canada Enterprises, the former Daon Development property group has now acquired a $1bn (£680m) investment portfolio in the United States.

Just renamed BCE Development, Vancouver-based Daon is buying 12 office buildings, shopping malls and other selected properties from Oxford Development, the Toronto property group. The deal will result in Oxford's US development arm becoming a wholy-owned BCE subsidiary.

Jack Poole, BCE Development's chairman, says the purchase in in line with the company's efforts to move away from volatile residential land development and towards the creation of a strong portfolio of prime, commercial property investments.

Daon has already sold its US office portfolio once, as part of its efforts to settle obligations to creditors, having defaulted on much of the C$2bn (£1bn) debt it had logged up by 1982. Now, however, given the powerful backing of Bell Canada, the company's ambitions are again growing.

Before the latest deal, almost two-thirds of BCE's assets were represented by 5,200 acres of undeveloped land, with most of the balance in commercial property. Within five years, it intends to have 80 per cent of its assets in income-producing property.

As part of the Oxford acquisition package, BCE will assume a 75 per cent stake in the 52-storey Multifoods Tower in Minneapolis, the 849,000 sq ft Quaker Tower in Chicago, along with adjoining development land, and a 320,000 sq ft retail mall on Chicago's North Michigan Avenue, due for completion in 1988.

Other property includes the new 56-storey Republic Plaza building in Denver, along with other office and retail development opportunities in the town. Properties in Phoenix and St Paul are also being purchased. BCE paid around $125m cash for the shares in Oxford. The company has previously indicated that it plans to use cash for around 20 per cent of future property purchases, with the remainder financed by mortgage money.

Oxford Development, controlled by the Love family, will still be left with some US property investments. The company says it now wants to look for acquisitions in the real estate financial services industry through Oxford Ventures, its newly-formed subsidiary.

But if Oxford is disillusioned with US real estate, BCE obviously has no such qualms. The company is looking to rebuild an American foothold and, according to Poole, "is creating long-term value not short-term profits." Income last year was a modest C$22.2m and it will be a couple of years yet before the figure is beaten. With Bell Canada behind it, that should not be too much of a problem.

BERNARD SIMON

Glasgow conservationists 'must accept compromise'

GLASGOW FACES a major shortage of top quality office space and the strong conservationist lobby in the city will have to compromise if badly needed, new accommodation is going to be provided.

The calls come from Richard Ellis, the estate agents, following a comprehensive review of office occupancy patterns in the city. Ellis emphasise that the planners are extremely keen to see more prime floorspace in the centre and says that the challenge to the development industry is to keep both camps happy.

The agents calculate that, of the total 7.1m sq ft net (10m sq ft gross) of office space within the central business district, only 8 per cent can be classified as Grade A—high quality accommodation comparable with that available in major international, financial centres. Only 1 per cent—less than 10,000 sq ft—was available for letting at the start of the year.

Ellis estimates potential demand in the central area to 1990 at just over 2m sq ft, much of it requiring higher quality space. John Orton, the agent's research guru, said in Glasgow this week that the conservationists would have to compromise.

The main emphasis of conservation policy in Glasgow centres on the massive facades of Victorian office buildings and their location on wide, main thoroughfares like St Vincent St and St Vincent Place. Ellis reckons that the large street blocks created, reflected in the city's grid pattern, could be the subject of wholesale redevelopment, to create a mix of large and small office units. Facades, it emphasises, would be retained.

The agents forecast that space shortages will help push up top rents from £8 a sq ft to £10 a sq ft by 1988

WILLIAM COCHRANE

● Legal & General Assurance has sold its long leasehold interest in the 300,000 sq ft Palace Gardens shopping centre, Enfield, north London, to Norwich Union for £18m. The two insurance groups developed the centre in 1980. Rent reviews begin this year.

● Private real estate syndications in the US raised $8bn in 1985, down $2bn on the previous year. Stephen Roulac, the real estate advisory group, says that private syndications were only 14 per cent higher than the $6.9bn raised by public syndication, much lower than the traditional gap between the two types of investment vehicles.

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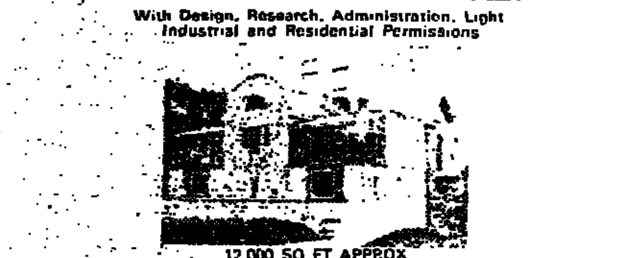

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Company Notices

FIDELITY AMERICAN ASSETS N.V.

Registered Office: Schottegatweg Oost, Salinja
Curaçao, Netherlands Antilles

Notice of Annual General Assembly of Shareholders

Please take notice that the Annual General Assembly of Shareholders of Fidelity American Assets N.V. (the "Corporation") will take place at 2:00 p.m. at Schottegatweg Oost, Salinja, Curaçao, Netherlands Antilles, on March 18, 1986.

The following matters are on the agenda for this Meeting:

1. Report of the Management.
2. *Election of seven Managing Directors.*
   The Chairman of the Management proposes the re-election of the following seven existing Managing Directors:
   Edward C. Johnson 3d — Hisashi Kurokawa
   William L. Byrnes — John M. S. Patton
   Charles A. Fraser — H.F. van den Hoven
   Maduro & Curiel's Trust Company N.V.
3. Approval of the Balance Sheet and Profit and Loss Statement for the fiscal year ended November 30, 1985.
4. Ratification of actions taken by the Managing Directors since the last Annual Assembly of Shareholders, including payment of an interim dividend in respect of the fiscal year ended November 30, 1985 and authorization of the Managing Directors to declare an additional dividend in respect of fiscal 1985 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
5. Ratification of actions taken by the Investment Manager since the last Annual General Assembly of Shareholders.
6. Such other business as may properly come before the Meeting.

A form of proxy may be obtained from the following institutions:

The Bank of Bermuda Limited
Hamilton, Bermuda

Fidelity International Management Limited
25 Lovat Lane, London EC3R 8LL, England

Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal, Luxembourg

Holders of registered shares may vote by proxy by mailing a form of proxy obtained from the Corporation's Principal Office in Pembroke, Bermuda, from Fidelity International Management Limited in London, or from the Banks listed above, to the Corporation at the following address:

Fidelity American Assets N.V.
c/o Maduro & Curiel's Trust Company N.V.
P.O. Box 305
Curaçao
Netherlands Antilles

Holders of bearer shares may vote by proxy by mailing a form of proxy and certificate of deposit for their shares obtained and filed in the manner described in the preceding sentence. Alternatively, holders of bearer shares wishing to exercise their rights personally at the Meeting may deposit their shares, or a certificate of deposit therefor, with the Corporation at Schottegatweg Oost, Salinja, Curaçao, Netherlands Antilles, against receipt therefor, which receipt will entitle said bearer shareholder to exercise such rights.

All proxies (and certificates of deposit issued to bearer shareholders) must be received by the Corporation not later than 1:00 p.m. on March 18, 1986, in order to be used at the Meeting.

By order of the Management
Charles T.M. Collis
Secretary

FAA HOLDINGS N.V.

Registered Office: 16-A Pietermaai, Willemstad
Curaçao, Netherlands Antilles

Notice of Annual General Assembly of Shareholders

Please take notice that the Annual General Assembly of Shareholders of FAA Holdings N.V. (the "Corporation") will take place at 2:00 p.m. at 16-A Pietermaai, Willemstad, Curaçao, Netherlands Antilles, on March 18, 1986.

The following matters are on the agenda for this Meeting:

1. Report of the Management.
2. *Election of the Managing Director.*
   The Chairman of the Management proposes the re-election of the present Managing Director, Corporate Trust N.V.
3. Approval of the Balance Sheet and Profit and Loss Statement for the fiscal year ended November 30, 1985.
4. Ratification of actions taken by the Managing Director since the last Annual Assembly of Shareholders, including payment of an interim dividend in respect of the fiscal year ended November 30, 1985 and authorization of the Managing Director to declare an additional dividend in respect of fiscal 1985 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
5. Ratification of actions taken by the Investment Manager since the last Annual General Assembly of Shareholders.
6. Such other business as may properly come before the Meeting.

A form of proxy may be obtained from the following institutions:

Fidelity International Management Limited
25 Lovat Lane, London EC3R 8LL, England

Kredietbank S.A. Luxembourgeoise
43, Boulevard Royal, Luxembourg

Holders of registered shares may vote by proxy by mailing a form of proxy obtained from the Corporation's Principal Office in Pembroke, Bermuda, from Fidelity International Management Limited in London, or from the Bank listed above, to the Corporation at the following address:

FAA Holdings N.V.
c/o Corporate Trust N.V.
16-A Pietermaai, Willemstad,
Curaçao
Netherlands Antilles

Holders of bearer shares may vote by proxy by mailing a form of proxy and certificate of deposit for their shares obtained and filed in the manner described in the preceding sentence. Alternatively, holders of bearer shares wishing to exercise their rights personally at the Meeting may deposit their shares, or a certificate of deposit therefor, with the Corporation at 16-A Pietermaai, Willemstad, Curaçao, Netherlands Antilles, against receipt therefor, which receipt will entitle said bearer shareholder to exercise such rights.

All proxies (and certificates of deposit issued to bearer shareholders) must be received by the Corporation not later than 1:00 p.m. on March 18, 1986, in order to be used at the Meeting.

By order of the Management
Charles T.M. Collis
Secretary

THE "SHELL" TRANSPORT AND TRADING COMPANY, PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that a balance of the Register will be struck on Thursday, 17th April, 1986 for the preparation of warrants for a Final Dividend for the year 1985 of 22.5p per 25p Ordinary Share. If approved at the Annual General Meeting to be held on 15th May, 1986 the dividend will be paid on 22nd May, 1986.

For transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Plc, Registrar's Department, Goring-by-Sea, Worthing, West Sussex, BN12 6DA, not later than 3.00 p.m. on 17th April, 1986.

SHARE WARRANTS TO BEARER

The Coupon to be presented for the above dividend will be No. 174 which must be left at Lloyds Bank Plc, Registrar's Department, Issue Section, 111, Old Broad Street, London, EC2N 1AU, at least five clear days for examination, or may be surrendered through MM. Lazard Freres, Paris.

By Order of the Board
D. W. CHESTERMAN
Company Secretary

Shell Centre,
London, SE1 7NA.
13th March, 1986

THE TAIWAN (R.O.C.) FUND

International Depositary Receipts
evidencing Beneficial Certificates
representing 1,000 Units

Notice is hereby given to the Unitholders that The Taiwan (R.O.C.) Fund declared a distribution of US$170 per IDR of 1,000 Units net of the 20 per cent withholding tax that is deducted at source from income.

Payment of coupon No. 2 from the International Depositary Receipts of either The First or The Second Tranche Units will be made, after deduction of the Depositary's fees in an amount of US$0.50 per coupon, on or after March 19, 1986 at one of the following offices of Morgan Guaranty Trust Company of New York:

— Brussels: 35 Avenue des Arts
— New York: 30 West Broadway
— London: 1 Angel Court
— Frankfurt: 46 Mainzer Landestrasse
— Zurich: 38 Stockerstrasse

In compliance with the terms and conditions of the Deposit Agreement, the dividend distribution will be made by the Depositary or the aforementioned agents, against presentation of the appropriate coupon and the certificate of nationality and residence duly completed.

Morgan Guaranty Trust Company of New York
Brussels Office, as Depositary

NOTICE TO HOLDERS OF C. ITOH AND CO. LIMITED

Warrants to subscribe shares of Common Stock of C. Itoh and Co. Ltd., issued in conjunction with an issue of U.S.$50,000,000 11 per cent Guaranteed Bonds due 1987

Pursuant to Clause 7(B) and (C) of the Trust Deed dated 9th February 1982 under which the above warrants were issued, notice is hereby given as follows:

1. On 14th February 1986 the Board of Directors of the Company resolved to make a free distribution of shares of its common stock to shareholders on record as of 31st March 1986, Japan time, at the rate of 0.1 new share for each share held.
2. Accordingly, the warrant exercise price of the above warrants will be adjusted effective 1st April 1986 Japan time. The warrant exercise price in effect prior to such adjustment is Yen 341.00 per share of common stock and the adjusted warrant exercise price (taking into account the adjustment of Yen 0.90 by reason of the previous issuance of the company's common stock in Japan on 2nd September 1985) will be Yen 309.20 per share of common stock.

Warrants to subscribe shares of Common Stock of C. Itoh and Co. Ltd. issued in conjunction with an issue of U.S.$50,000,000 7.5 per cent Guaranteed Bonds due 1989.

Pursuant to Clause 4(A) and (B) of the Instrument dated 22nd May 1984 under which the above warrants were issued, notice is hereby given as follows:

1. On 14th February 1986 the Board of Directors of the Company resolved to make a free distribution of shares of its common stock to shareholders on record as of 31st March 1986, Japan time, at the rate of 0.1 new share for each share held.
2. Accordingly, the warrant exercise price of the above warrants will be adjusted effective 1st April 1986 Japan time. The warrant exercise price in effect prior to such adjustment is Yen 340.00 per share of common stock and the adjusted warrant exercise price (taking into account the adjustment of Yen 0.90 by reason of the previous issuance of the company's common stock in Japan on 2nd September 1985) will be Yen 308.30 per share of common stock.

C. ITOH AND CO. LTD.

14th March 1986

NEW KLEINFONTEIN PROPERTIES LIMITED

(Incorporated with limited liability in the Republic of South Africa)

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER
PAYMENT OF COUPON No. 184

With reference to the notice of declaration of dividend advertised in the press on 14 February 1986, holders of Share Warrants to Bearer are informed that payment of Dividend No. 84 will be made in United Kingdom Currency, on and after 27 March 1986 after surrender of coupon No. 184 as follows:—

	Per Share Pence
Dividend declared in South African Currency 9 cents per share, equivalent in United Kingdom Currency on 11 March 1986 at R2.8720 = £1 to	3.13370
South African Non-Resident Shareholders' Tax at 15%	0.47005
	2.66365
United Kingdom Income Tax at 15% (see note) on the gross amount of the dividend	0.47005
Net amount	2.19360

Coupons may be lodged at the following offices from which listing forms may be obtained:—

London:
The London Office of the Company,
21 Southampton Place,
London WC1A 2BQ

Paris:
The Office of the Company's Paris Agents,
Credit du Nord,
6/8 boulevard Haussmann,
Paris, 75009.

All coupons lodged with the Paris Agents and those lodged at the London Office accompanied by Inland Revenue declarations will be paid at the rate of 2.66365 pence per share.

Coupons lodged must be left FOUR CLEAR DAYS for examination.

AFRICAN FINANCE CORPORATION (U.K.) LIMITED
London Secretaries
per R. S. BRUNT

London Office:
21 Southampton Place,
London WC1A 2BQ.
14 March 1986.

NOTE. The rate of South African Non-Resident Shareholders' Tax applicable to this dividend is 15% and relief for this has been given by deducting United Kingdom Income Tax at the rate of 15% instead of the basic rate of 30%.

BRITISH OXYGEN FINANCE B.V.

US$50,000,000 10¼% GUARANTEED BONDS 1990

50,000,000 11¼% GUARANTEED BONDS 1991

US$100,000,000
10¼% GUARANTEED BONDS 1993

Holders of the above Bonds are advised that the Annual Report and Accounts for the year ended 30 September 1985 for British Oxygen Finance B.V. and The BOC Group plc (the Guarantor) are available from The BOC Group plc, Chertsey Road, Windlesham, Surrey GU20 6HJ.

THE STANDARD LIFE ASSURANCE COMPANY

THE ONE HUNDRED AND SIXTIETH ANNUAL GENERAL MEETING of the Company will be held in the Head Office, 3 GEORGE STREET, EDINBURGH, on TUESDAY, 25th MARCH, 1986 at 2.30 p.m.

By Order of the Board of Directors
G.D. GWILT
Managing Director and Actuary
Edinburgh, 11th March, 1986

ADDITIONAL BUSINESS
Resolution fixing remuneration of the Directors in terms of Regulation 32 of the Regulations of the Company.

Standard Life

CASIO COMPUTER CO., LTD.

US$100,000,000 3 PER CENT CONVERTIBLE BONDS DUE 2000 AND US$80,000,000 5¼ PER CENT BONDS WITH WARRANTS DUE 1989

NOTICE IS HEREBY GIVEN that the adjustments of conversion and subscription prices for abovementioned Convertible Bonds and Bonds with Warrants shall be made pursuant to the provisions of Clause 7(H) of the Trust Deed dated June 6, 1985 relating to the said Convertible Bonds as well as the provisions of clause 4 of the Instrument dated March 15, 1984 relating to the said Bonds with Warrants, as a result of a free distribution of shares at the ratio of 0.10 share for one share of the Company for a portion transferred to the capital in excess of aggregated amount of par value of outstanding shares of the Company resolved at the meeting of the Board of Directors of the Company held on December 16, 1985.

1. Adjusted Conversion Price: Yen 1,583.60
   Current Conversion Price: Yen 1,742.00.
2. Adjusted Subscription Price: Yen 1,134.50
   Current Subscription Price: Yen 1,247.90

Both new prices will become effective on March 21, 1986.

CASIO COMPUTER CO., LTD.
By: The Mitsui Bank, Limited
London Branch
as Principal Paying Agent

Dated March 14, 1986

CANADIAN PACIFIC LIMITED

(Incorporated in Canada).
DIVIDEND NOTICE

At a Meeting of the Board of Directors held today, a quarterly dividend of twelve cents (12c) per share on the outstanding Ordinary Shares was declared, payable in Canadian funds on April 28, 1986, to Shareholders of record as at the close of business on March 27, 1986.

By order of the Board
D. J. DEEGAN, Secretary

Montreal, March 10, 1986.

Legal Notices

IN THE MATTER OF
GALVIN KENCHINGTON DEVELOPMENTS LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 8th day of April, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Patrick Granville White of 1 Wardrobe Place, Carter Lane, London EC4V 5AJ, the Liquidator of the said Company, and, if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 25th day of February, 1986.
PATRICK GRANVILLE WHITE,
Liquidator.

IN THE MATTER OF
ORRETTO SERVICES LIMITED
t/a THORNTON ENGINEERING LIMITED
AND IN THE MATTER OF
THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of April, 1986, to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors (if any), to the undersigned Stephen Daniel Swadon, FCA, of 46 Rodney Street, Liverpool L1 9AA, the Liquidator of the said Company and if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 6th day of March 1986.
S. D. SWADEN,
Liquidator.

Public Notices

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

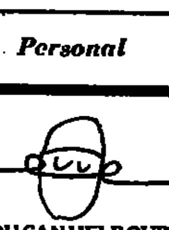
NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Society will be held in the Society's Head Office, No 28, St. Andrew Square, Edinburgh, on Thursday, 20th March 1986 at 12.30 p.m. to consider the Accounts and Balance Sheet and Reports of the Directors and the Auditor, to elect Directors, to determine the remuneration to be paid to the Directors and to re-appoint the Auditor.

A Member of the Society entitled to attend and vote at any Annual General Meeting is entitled to appoint another person to attend and vote instead of him. Proxies must be lodged at the Society's Head Office not less than forty-eight hours before the time for holding the Meeting.

By Order of the Board
D. A. BERRIDGE
General Manager

28 St. Andrew Square,
EDINBURGH.

Personal



YOU CAN HELP OUR OPERATION BE A SUCCESS.
Our Surgical Research Fund relies solely on donations from the public.
Please help us to continue this vital work by sending your donations to:
THE SURGICAL RESEARCH FUND
Royal College of Surgeons
37 Lincoln's Inn Fields London WC2A 3PN

Clubs

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St., W1. 01-734 0557.

SEATFINDERS
TICKETS ALL "SOLD OUT" EVENTS
Including
Rugby
Covent Garden
Theatres
Wimbledon
Tel: 01-828 1678

Art Galleries

BROWSE & DARBY, 01-734 7984. THOMAS NEWBOLT paintings.

BURY STREET GALLERY, 11 Bury Street, St. James's SW1. 930-2902 Danish Painting 1880-1920 Monday-Friday 10-5

LUMLEY CAZALET, 24, Davies St., W1. 01-499 5058. ROBERT BATES—Recent Watercolours Until 20 March

MANAGEMENT

Employee share schemes: a fair option?

Charles Batchelor explains why equity incentives in the UK are becoming a contentious issue

SENIOR executives across a broad range of British companies are poised to win the jackpot. Changes in the tax treatment of company share option schemes in 1984; coinciding with a particularly buoyant stock market have stored up a crock of gold for many directors and senior managers.

The rapid emergence of share option schemes as a popular method of rewarding senior executives has, however, prompted concern that companies are concentrating on their top men at the expense of other employees and shareholders. It has also focused attention on the broader issue of whether share option schemes really do improve a company's performance.

An early sign of just how lucrative share option schemes can be emerged late last year. In October five directors and 175 senior managers of Dee Corporation, the Carrefour and Gateway supermarkets group, made a profit of £13m before tax by selling shares acquired under options.

The following month six directors of Burton, the acquisition-minded stores group, made a gross profit of more than £3m from the exercise of their share options.

The option schemes allow directors to buy shares in a few years' time at today's price. If the shares rise in value they can be sold on at a profit. If the price remains the same or falls the option is allowed to lapse.

Impressive though the recent numbers have been the pay-off for British managers may be only just beginning. The extension of capital gains tax treatment to executive-only share schemes — previously liable to much higher rates of income tax — will mean that from the end of 1987 executives will be able to reap an even larger profit — after tax — than they do at present.

The investment committees of the large institutions are concerned primarily that the rights of existing shareholders should be protected. Other professionals in the field of benefit consultancy are aware of the danger that other employees will resent unduly generous schemes tailored to executives.

Changes in the legislation governing share schemes has created potential benefits for all private sector employees in recent years (see inset). But executives are particularly well-placed to take a big slice of the action. And because they must inform the Stock Exchange of their share dealings they are much more visible to outside scrutiny.

Coming at a time of Government pressure on wage increases generally and when executive salaries are outpacing average earnings the prospect of top managers exercising lucrative risk-free options is causing some unease.

The argument that British managers are merely following the US pattern is frequently cited. But the Institute of Directors, among others, points out that US share options partially take the place of more elaborate pension arrangements and long term service contracts available to executives in the UK.

Some companies—Dee and Burton included—have introduced triggers into their schemes to overcome the charge that executives benefit automatically from a rise in the share price. The company sets profit targets, often tailored to a fairly small operating division, or requires the share price to rise by a set percentage, before options can be taken up.

Share option schemes have been introduced for two main reasons. First, their backers believe that people will be encouraged to work harder if their efforts will produce a measurable return above their normal salary. Share options, *unlike cash bonuses*, have the added advantage of producing a long-term commitment to an employer.

Second, share option schemes have the broader aim of reducing traditional barriers between shareholders and employees, managers and the workforce. The Institute of Directors endorses wider share ownership because "it spreads personal holdings of wealth . . . and educates all who participate in the realities of business risks, capital and profits."

Share incentive schemes have proved increasingly popular because they allow a company to reward employees at no immediate cost. Options are frequently used to attract ambitious executives and companies without such schemes are starting to find themselves at a disadvantage in the labour market.

How successful have the share schemes been in achieving their aims? One or two studies of the effectiveness of options have been carried out in Britain but comprehensive answers are still lacking.

"Large claims have been made for share option schemes but there has been little published evaluation of their impact," says Dr Ray Richardson, reader in industrial relations at the London School of Economics. Richardson is carrying out a study with the backing of the Stock Exchange and the *National Association of Pension* Funds (NAPF) to determine the effect of option schemes on a company's share price.

"The evidence suggests that the effect of employee ownership on performance is positive on balance but it is not strong enough to be conclusive," said industrial relations expert Keith Bradley and economist Alan Gelb in one recent study.*

"Speaking as the convener of the Militant Shareholders' Action Committee. . ."

A survey† carried out by Michael Landon of employee benefit consultants Copeman Paterson found that in most areas—productivity, wage negotiations, staff recruitment and staff turnover—between 35 and 45 per cent of companies reported that company-wide share schemes had had only a small effect. The only area in which a large proportion—32 per cent—of companies reported any significant effect was the category of improved loyalty.

More favourable results emerged from a pilot survey,‡ co-authored by Richardson at the LSE, of about 40 retailing companies. This showed that the share prices of companies with share option schemes had risen faster than those without.

One aspect to emerge from this survey was that companies which introduced all three types of scheme did best. Those which introduced only executive schemes performed no better than those which introduced no share scheme at all.

These findings appear to back an earlier US study§ which drew attention to the possibility that executives might be better motivated but other employees would be demotivated if they felt executives were getting too good a deal.

Whatever the doubts of the academics, individual companies are convinced their own option schemes are effective. Dee Corporation, which has executive and SAYE schemes, says: "It has been tremendously motivational. Many people realised for the first time they were part of a large group." Dee attributes the rapid increase in its *market capitalisation from £60m* in 1981 to £1.2bn in part to the share schemes.

Hanson Trust sees a noticeable change among executives of the companies it acquires. "They stop thinking of themselves as brick or battery makers and see themselves as managers interested in the overall performance of their company," Hanson says.

The stream of new companies coming to the Stock Market has boosted demand for option schemes. British Telecom, *Enterprise Oil*, Jaguar and Reuters all launched schemes when they became public companies.

The Inland Revenue approved no fewer than 1,371 new schemes in 1985 compared with 848 in the previous seven years since the start of the new style legislation. A further 917 schemes were awaiting approval at the end of the year. The most dramatic growth came in demand for executive schemes. They accounted for 86 per cent of all newly-sanctioned schemes last year.

The Copeman Paterson survey showed that of 138 companies (out of 400 polled) half had general schemes, 67 per cent had savings-related schemes and 74 per cent had executive schemes.

Most companies had introduced more than one type of scheme. The combination of SAYE and executive schemes was the most popular variant. it was used by 58 of the 138 companies in the survey.

Some companies argue that general schemes spread the benefits too thinly to have any motivating effect and are too costly to administer. This has not deterred companies such as Marks and Spencer and Sainsbury from operating company-wide schemes.

A measure of the sensitivity of share option schemes can be seen from the degree of supervision to which they are subjected. The Stock Exchange, the investment committees of the pension funds and insurance companies and the Inland Revenue must all be satisfied before a scheme goes to a company's shareholders for approval.

To prevent the issue of too many new shares diluting existing shareholders' interests the investment committees have drawn up guidelines.

These limit the amounts committed to such schemes to 5 per cent of pre-tax profits. New *share issues* to employees are restricted to 10 per cent of a company's existing capital over a 10 year period with a maximum of 5 per cent allowed for executive schemes.

The pension funds are worried, however, that even these limits may come under pressure. For this reason they are backing the LSE study.

"We can see companies which have used their quota seeking to go beyond 10 per cent to incentivise new members of management," says Roger Meeds, secretary of the NAPF investment committee. "It would be difficult to defend an arbitrary 10 per cent figure."

Shareholders' approval is the last hurdle share schemes must clear. Instances of their rejecting schemes are rare but Astra Industrial, a loss-making West Midlands engineering and property company, had a proposal for an executive scheme turned down in 1984.

Plans to allocate 5 per cent of shares in Dunlop, the ailing rubber products group, to Sir Michael Edwardes, the chairman, and two other directors in January 1985 were withdrawn under shareholder pressure.

Despite a growing political consensus that wider employee share ownership is a good thing there are fears that schemes biased too heavily towards small numbers of top executives could lead to the removal of tax privileges, as happened in the early 1970s under a Labour government.

The Wider Share Ownership Council, a pressure group active in this field, wants the tax concessions applying to executive schemes to be dependent on companies introducing a general employee scheme.

"This is all part of the broader argument about whether the City is paying itself too much," says John Mulville, secretary of the investment committee of the *Association of British Insurers*. "I hear mutterings and misgivings. A continuous agonising appraisal is going on."

* *Share Ownership for Employees. Public Policy Centre, K. Bradley & A. Gelb.*
† *Employee share schemes, M. Landon, Copeman Paterson.*
‡ *Employee Share Ownership Schemes in the UK—an Evaluation. R. Richardson and A. Nejad, London School of Economics.*
§ *Employee-owned companies; is the difference measurable? M. Conte and A. S. Tannenbaum. Monthly Labor Review, Washington, July 1978.*

Three types of scheme

THE CURRENT vogue for share option schemes was started by the 1979 Finance Act which made them liable to capital gains tax of 30 per cent instead of income tax at up to 60 per cent. Previously cash bonuses had been a more attractive incentive. The lastest tax treatment has now been extended to three types of scheme:

● General profit-sharing schemes. The company sets up a trust which is given a share of annual profits to buy shares for all employees of at least five years' standing.

These schemes are not strictly *option schemes* since employees are allocated shares which must be held for at least two years. Individuals may be allocated up to £1,250 worth of shares or, if it is greater, 10 per cent of their salary to a maximum of £5,000.

● Save as you earn (SAYE) option schemes (introduced in 1980). These are also open to all employees but they must save part of their salaries to pay for them.

Employees may put aside up to £100 a month for five years in a building society or National Savings account. At the end of this time they may buy the shares or, if the price has not risen, simply withdraw their savings.

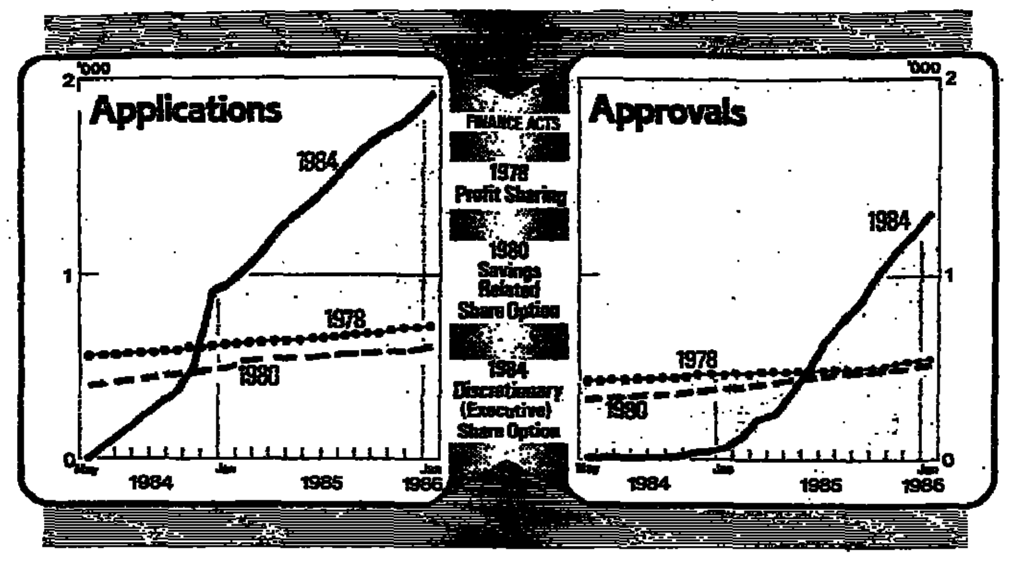
SAYE schemes may allocate shares at up to 10 per cent less than their stock market value to give participants an immediate notional gain on their investment.

● Executive or Discretionary share option schemes. Introduced in 1984.

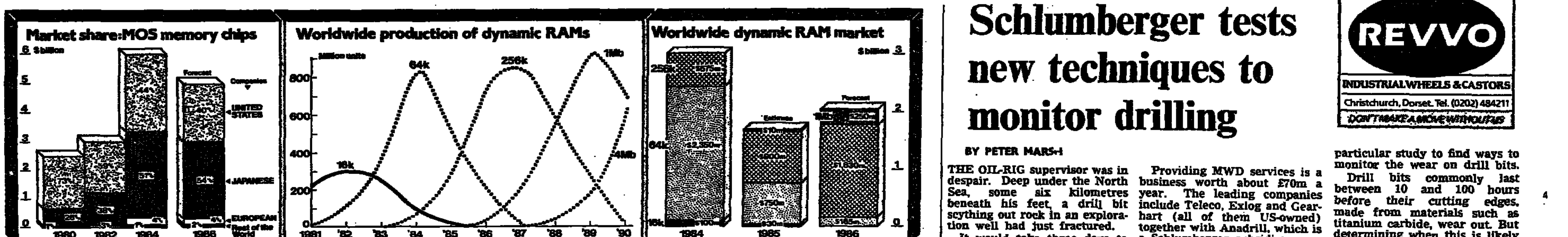
The main innovation of these schemes was to allow a company to restrict options to a selected group of employees —usually senior managers.

The executive schemes also allow considerably more options to be issued to an individual. Participants may be allocated shares worth £100,000 or four times their total annual earnings.

These shares must be paid for but they can usually be financed by the immediate sale of part of an individual's allocation.



TECHNOLOGY



Europe's risky dash to catch up in microchips

Laura Raun in Amsterdam and Peter Bruce in Bonn on the Philips-Siemens Megaproject

OF ALL the collaborative high-technology ventures which have sprung up in Western Europe recently, few involve such potentially high stakes as Megaproject, the joint research programme into advanced microchips between Philips of the Netherlands and Siemens of West Germany.

Launched 18 months ago, with financial backing from the Dutch and German governments, Megaproject is intended to equip the two companies with the *semiconductor technology they will need to be competitive* in a wide range of electronics products during the next decade. As such, it has become a highly visible symbol of Europe's wider efforts to make up its technology lag.

The two companies hope that the project, expected to involve total investments of about $1bn, will enable them to challenge Japan's domination of the microchip memory business by leapfrogging into the lead in developing the next generation of "megabit" devices. These will be able to store at least 1m *bits of computer data, four* times more than 256K memories, the most advanced devices on sale today.

The European venture was always a gamble—and the odds are starting to look perilously finely balanced. The Japanese have moved ahead even faster than Siemens and Philips expected—Toshiba and NEC have *already started pilot production* of 1 megabit (Mb) devices—while there have been signs of slippage in the Europeans' timetable.

The two European companies aim to share technology but to produce components separately. Siemens plans to concentrate on dynamic random access memories (d-rams), the most widely used type of devices. It expects to start making 1 Mb d-rams this year, with a 4 Mb version following in late 1988.

Philips will make faster and technically more complex static memories (s-rams), for which the market is rather more specialised. It aims to start pilot production of a 1 Mb chip in 1988, with commercial production starting one year later.

But Siemens has already been forced to recognise that its *original timetable* was too leisurely. Senior executives discovered on a visit to Japan last spring that companies there were well ahead in developing 1 Mb d-rams. Furthermore, conditions in the memory market had deteriorated sharply, causing the price of a 256K d-ram to plummet to DM 10, from DM 70 when Megaproject was launched only a few months before.

PHILIPS

After spending DM 70m on its own 1 Mb development programme—half of that sum being provided by the Federal Government—Siemens decided it had been beaten. To the consternation of officials in Bonn, it promptly axed its own programme and took out a licence from Toshiba on the Japanese company's 1 Mb d-ram *technology*.

Dr Heinz Riesenhuber, the federal technology minister, is said to have been so angry about the deal that he came close to withdrawing federal backing for Megaproject entirely.

Siemens plans to start making Toshiba 1 megabit d-rams later this year at a plant in Regensburg, Bavaria, with technical assistance from Toshiba engineers. But it is uncertain whether it will now even be the first company to make the chips in Germany. *IBM says it has* developed its own 1 megabit memory which it could, in theory, at least, start making at its German *chip plant at any* time.

Philips, on the other hand, appears outwardly more confident. Dr Wisse Dekker, the company's president, recently denied that Megaproject was too little, too late and predicted that it would succeed in leapfrogging the Japanese. "It is to develop something better than what they have," he said.

Nonetheless, Philips appears to be running behind its original schedule. When Megaproject was launched, Mr F. C. Rauwenhoff, chairman of *Philips' Dutch business*, forecast that pilot production of 1Mb static Rams would start this year. That deadline has slipped to September 1988.

Philips argues today that too much attention has focused on the race to develop new products, rather than on the technology and its applications. Dr Theo Holtwijk, Philips' head of Megaproject, believes the increasingly specialised needs of component users will create a market for many different types of megabit chips.

Philips will initially make general-purpose megabit chips to a "standard" design but it plans to build on its resources in so-called application-specific *chips*, which can be tailored precisely to particular uses.

It expects to sell 85-90 per cent of its megabit output to other *companies*, working closely with them to develop chips which can be "designed-in" to their new products while these are still on the drawing board. It plans to use the rest of its production in its own range of consumer, professional and telecommunications products.

Mr Jim Beveridge, an industry *analyst with the* market research firm Dataquest, believes Philips is on the right track. "They have no chance of getting into the first division but they are playing other games besides the standard chip

SIEMENS

one. In the consumer and application-specific markets, they have leverage," he says.

The Dutch Government, which is contributing DFl 200m of Philips' planned DFl 2.5bn investment in Megaproject, seems satisfied with the way its money has been spent so far but it would consider halting aid if Philips followed Siemens' example by concluding a Toshiba-style deal.

The Government also insists that its approval must be sought for any transfer of Megaproject technology outside the Netherlands. That requirement extends to Signetics, Philips' wholly-owned semiconductor subsidiary in the US, and to Japan's Matsushita, with *which Philips has a technology* exchange agreement and a joint electronics components venture.

Mr Beveridge thinks Siemens faces a bigger commercial risk than Philips, because Japan is much stronger in d-ram technology than in s-rams. Indeed, Toshiba aims to start delivering sample quantities of 4Mb d-rams to customers later this year, about two years before Siemens plans to start making a rival product.

Both Siemens and the West German research and technology ministry, however, argue that the race to develop 4 megabit memories is still wide open. Ministry officials say they are not flustered by Japanese claims to have produced such a chip experimentally. "We have had a look at it and we don't think much of it," says one official.

Other industry experts in West Germany are also determined not to be overwhelmed by Japanese claims. "They are trying to scare us," says one. "*It's a war of nerves.*"

However, mastering technology is only the first hurdle facing the Megaproject partners. Making money out of the new chips will require entrepreneurial agility and aggresive marketing, attributes for which neither company has been renowned in the past.

Siemens has never before sought a big role in international semiconductor markets and ranks only 20th among the world's chipmakers. Philips occupies sixth place, but only thanks to its acquisition in 1977 *of Signetics*, which accounts for two thirds of its total component sales.

Publicly, Bonn continues to express confidence that Megaproject will help launch Siemens into the chipmaking big league. But a wary research ministry is also taking steps to limit its risks. Since the deal with Toshiba, it has tightened *up* considerably the terms of its planned DM 240m Megaproject subsidy to Siemens.

If there were any hint of further co-operation by Siemens *with a Japanese competitor*, or a failure to meet a promised Megaproject deadline, Bonn could demand all its money back. "This project," says a ministry official only half jokingly, "has the sword of Damocles hanging over it."

Schlumberger tests new techniques to monitor drilling

BY PETER MARSH

THE OIL-RIG supervisor was in despair. Deep under the North Sea, some six kilometres beneath his feet, a drill bit scything out rock in an exploration well had just fractured.

It would take three days to retrieve the broken bit and re*start operations, adding about* £150,000 to exploration costs. Meanwhile, the oil-company president was on the telephone, demanding to know who was to blame.

In a bid to reduce such occurrences, scientists in a futuristic-looking laboratory in Cambridge are collating data using a massive, £4m machine *which simulates what happens* as a drill bit bores through the earth's crust deep under the surface.

The goal of the scientists, employed by Schlumberger, the oil-services multinational, is to devise new techniques to monitor drilling operations, so speeding up exploration work and cutting costs.

Such monitoring, known in the oil industry as measurement while drilling (MWD), is essential if minerals companies are to make informed decisions about the most promising sites for new fuel deposits.

Before production from a new oil or gas field can start, some 20 wells may have to be drilled, a job that can take a couple of *months for each shaft. Due to* the high costs of offshore work, increasing the efficiency of drilling is particularly important in exploration work in the North Sea, where operating a rig costs about £50,000 a day.

Providing MWD services is a business worth about £70m a year. The leading companies include Teleco, Exlog and Gearhart (all of them US-owned) together with Anadrill, which is a Schlumberger subsidiary.

MWD engineers are almost *exclusively* concerned with gaining information from a series of sensors at the bottom of a well shaft, in which a bit (typically about 30 cm wide) is cutting through rock at 2-20 metres an hour, depending on the hardness of the crust.

As part of the drive to improve monitoring, Schlumberger's new £20m laboratory in Cambridge, in which researchers and equipment share accommodation in an open-plan, tent-like structure, features a drilling simulator into which a piece of rock about the *size of* a TV set can be clamped in place.

While a drill bit bores into the sample at up to 200 revolutions per minute, accompanied by mud pumped into the drill hole to remove loose fragments, sensors relay to computers information about conditions such as the rotational and vertical stresses on the bit and the temperature and pressure of the surrounding rock.

Other sensors that can provide information include drilling devices to measure the radiation *emitted* by rock and the resistivity of any oil in the rock's pores.

The simulator, built by the design and projects division of Vickers, the engineering company, is seeing use in a particular study to find ways to monitor the wear on drill bits.

Drill bits commonly last between 10 and 100 hours before their cutting edges, made from materials such as titanium carbide, wear out. But determining when this is likely to happen is "largely guess work," according to Dr George Cooper, head of drilling and rock mechanics at the laboratory.

A drill bit that breaks up while in use is a calamity. The resulting fragments of metal, known in oil services terminology as "junk," fall to the bottom of the hole.

They are then either "fished out" with a magnetic device or the operator brings in a very tough bit to reduce the metal to powder. If both alternatives fail, the rig crew may have to "kick up," which means it has to redirect the drill shaft to avoid the metal fragments, a particularly time-consuming operation.

Using the simulator, Dr Cooper is *seeking to match* information from sensors with what is actually happening to a drill bit when boring through a particular type of rock. With the help of computerised signal-*processing* techniques, he hopes to find trends in the data—for example specific changes in pressure or temperature readings or in the way the torque of the drill bit alters—that indicate the degree to which the metal in the device is wearing.

If the research projects prove successful, Anadrill may introduce such processing techniques in *its routine* MWD services over the next couple of years.

EMPHASIS ON OPERATIONAL APPLICATIONS

SCHLUMBERGER'S Cambridge laboratory is ***attempting*** **to introduce advanced scientific principles to drilling for oil, a practice which Mr Bernard Vivet, general manager at the centre, says is "a little bit of an art."**

Of the 60 scientists at the laboratory, relatively few have any direct experience of the oil industry. About half are pure scientists, in disciplines such as mathematics, physics and fluid mechanics, who have come straight from university departments.

The role of the Cambridge centre is to feed expertise to four Schlumberger companies: Anadrill (drilling measurements), Flopetrol Johnston (well testing), Sedco Forex (drilling operations) and Dowell Schlumberger (pumping services).

Schlumberger chose Cambridge as the site for its new laboratory to be close to the city's university (where the company has a good relationship with the applied mathematics department) and because of the ease of access to the North Sea, scene of some of the world's most difficult oil-drilling operations.

To ensure the Cambridge scientists do not become too preoccupied with scientific theories, they are told to keep in close contact with managers in the operating companies. Also at least once a year they spend time on an oil rig.

The Cambridge laboratory is one of five in the $6.6bn-turnover Schlumberger group. The others are in Montrouge, France (research into measurement and control), Ridgefield, Connecticut (wireline services) and Palo Alto, California (two centres for computer-aided systems and semiconductors).

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FINANCIAL TIMES SURVEY

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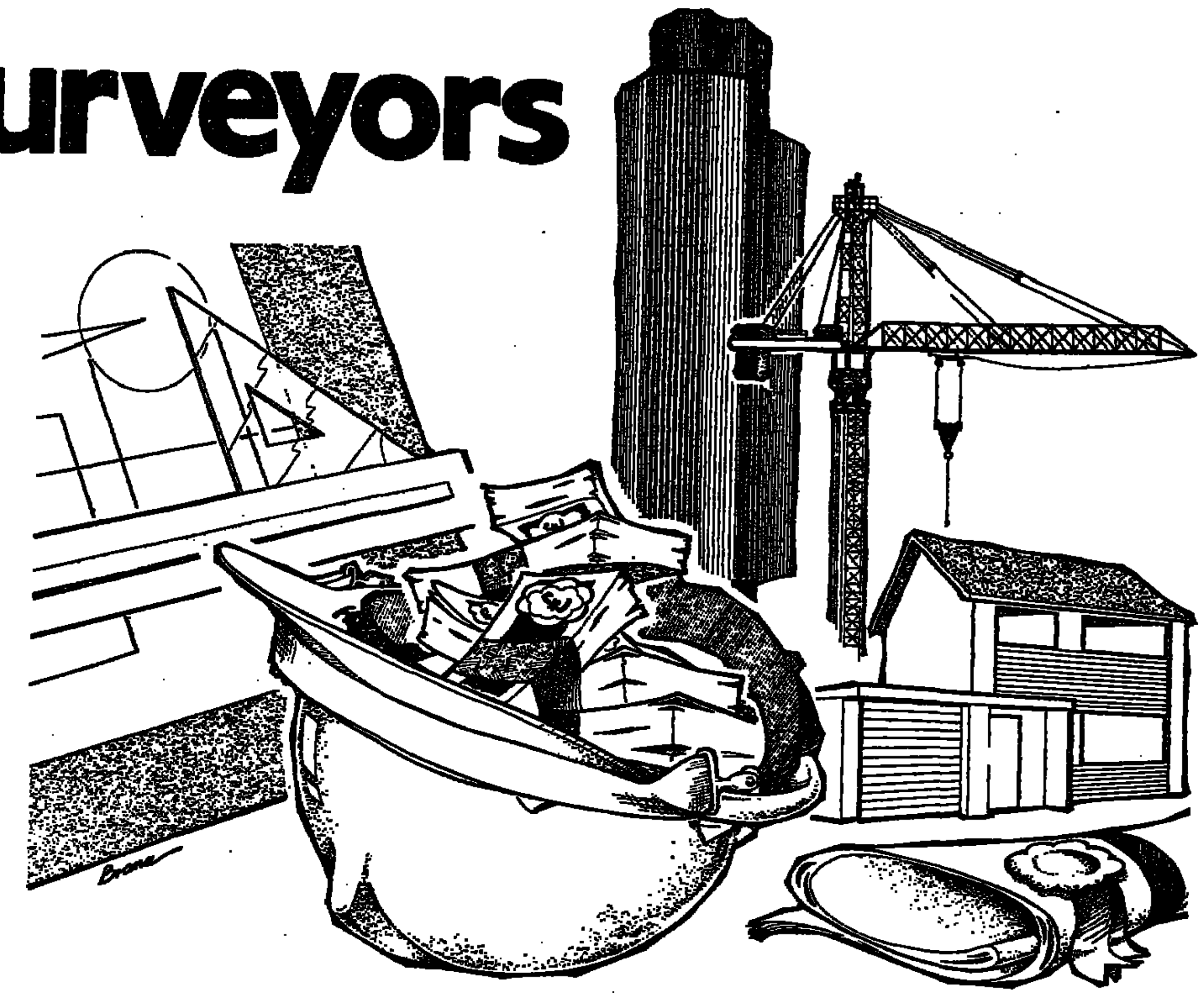
Chartered Surveyors

The traditional independence of the 54,000 members of the Royal Institution of Chartered Surveyors is under heavy strain from fee-cutting pressures, a threatened invasion of outsiders and transition to public company status

A professional dilemma



By William Cochrane

CHARTERED SURVEYING is a gentle growth business. It is characterised by secure employment prospects and a wide range of career options for members of its professional body, the Royal Institution of Chartered Surveyors (RICS).

At the same time it is criticised from the sidelines, and under challenge from the Government's promotion of greater competition in the provision of professional services, and the fee-cutting which is the consequence.

There are 54,000 chartered surveyors and at a rough estimate, the profession provides direct employment for about 350,000 people. Few members of the profession have difficulty in finding secure employment and there is an ever-continuing call for new talent.

Its growth rate could be faster. New talent comes partly from school leavers entering professional offices and studying by day release or correspondence course, and partly from holders of diplomas or degrees from polytechnics or universities. A typical year's intake produces approximately 1,000 graduates while 840 members retired or died last year.

A further 900 possible members—probationers or students who do not make it through to membership—are lost each year.

The property industry is fiercely competitive, both in terms of top jobs and of appointments. Yet, as Mr Paul Orchard-Lisle, this year's president of the RICS, points out the career pattern and lifestyle of a surveyor can respond very well to the ambitions, efforts and talents of the individual.

"It is a wide profession," he says. "People can decide how hard they are going to work, where and for whom. They can be entrepreneurial types, or Inland Revenue professionals. They can go for high-level consultancy, with double firsts from Oxford or Cambridge but there is room for school-leavers who may have had trouble getting O levels but still have the talent to be a negotiator for a high street agency."

Competitive

For all this, many surveyors feel that they are on the horns of a dilemma. The Institution is looking to its members to improve their standards but the Government is promoting unbridled fee-cutting under the cloak of efficient competition. In house agency and commercial property sectors there is also an invasion by building societies, solicitors, banking interests and the like.

The RICS response to the invasion has been to urge members to provide the most competitive services possible, at the same time pointing to the potential conflicts of interests which outsiders' involvement can bring about.

It stands by the professional watchword of every client's right to the objective independence of his agent or adviser. It questions whether those using the services of others in the financial sector, with different interests to pursue, will always be able to get such a straightforward guarantee.

Chinese walls, Mr Orchard-Lisle says, would have trouble standing up to a professional survey.

Britain is unusual in requiring no qualifications for real estate practitioners. The 1979 Estate Agents Act introduced a framework of regulations which, properly administered, would produce a reasonably ordered market place.

The Government, somewhat to the surprise of the RICS—has not brought into force powers the Act gave to ensure standards of training. The institution also feels the Government's attitude to competition on fees is discouraging professionals from investing time and resources in continuing professional training or research.

Indeed, research into property has a long way to go. The RICS feels that some excellent material has started to appear over the last five years or so and that the Government should be encouraging the trend by working for better standards.

City of London experience suggests that research will take off when firms that can afford it learn how to make it work, in terms of public image as well as private gain.

Mr Orchard-Lisle admits, too, that the quality of investment advice can sometimes seem thin on strategic thinking: "People also sometimes find that property advice is not related to their occupational needs."

The public receives the backing of the Institution through an insurance scheme to protect money deposited with members, and through various courses of action open to the institution against any member who has failed to live up to its standards.

Members practise as specialists in mineral extraction, the agricultural economy, leisure pursuits and inner city redevelopment, and the great majority of the new town development corporations have been led at some stage by chartered surveyors.

"It is, above all, a creative and positive profession where members are qualified to give a professional view as to the optimum use to which any area of land can be put in both the short- and long-term," Mr Orchard-Lisle comments.

"In development the traditional surveyors' skills in the valuation of land and buildings have been extended over the years and include an almost unique understanding of use and planned maintenance of building materials, the management and supervision of building work and the funding of development projects."

Partnership

About 25 per cent of the membership of the institution works in the public sector — for the Property Services Agency (the Governments' property management body), local authorities, and central government and government bodies.

In common with other professionals in the public sector, chartered surveyors employed as civil servants have been adversely affected by government cuts and the trend to privatisation.

"The institution believes that it is wrong to demolish highly skilled departments and teams which have been built up over the years," says Mr Orchard-Lisle. "There is a substantial amount of public sector work which cannot properly be contracted out to the private sector and the continuation of a vibrant in-house professional team remains an important facility."

"We do not see it as right for the private sector to take over all public sector work. A more appropriate concept is a partnership, particularly with the private sector adding specialist skills which cannot be retained economically in-house, and dealing with the public sector's overload of work," he says.

RICS policy is to expect all its members to put in a minimum of 30 hours' structured learning every year. The College of Estate Management at Reading University is handling its third intake for a project management diploma and is working with the Institution on the formulation of diplomas in shopping centre management and property investment.

These last two diplomas hint at the institution's concern that its members should be more alert than in the past to the interaction of the world of property with financial markets and their strong management overtones.

RICS officers are much more concerned with readying the surveyor for this than in speculating on the "Big Bang" revolution in UK securities business which has already seen agents Michael Laurie merge with merchant bankers Morgan Grenfell.

More moves like this are regarded as likely and one or two more agents are expected to go public via a stock market quotation. There are also thought likely to be many who will tread this path, at least in part because a lot of clients will still want a traditional independent service.

Surveying firms which stay independent could do so as companies or partnerships. Those firms which lose their RICS membership via takeover or stock market flotation are likely to be legitimised at an RICS meeting this July when rules of membership are changed.

Predators hovering as new chains are forged

Residential Agencies

DAVID LAWSON

RESIDENTIAL estate agency is in the early stages of a revolution. The changes in ownership and operations now taking place are reminiscent of the shake-up in retailing over the past 20 years as chains of food stores supplanted the corner shop.

Just as it dawned on a few aggressive retailers and perceptive outside investors that food was a constant and rich flow of income to build on, so the boom in house ownership and the possibilities of exploiting associated personal finance have drawn estate agents into a wider business field.

Agency groups have been growing in strength since the housing booms of the 1970s, when 30 per cent profit on turnover was common. The more aggressive agencies set about expanding market share by buying rival firms or setting up additional branches in their region of operation. Then Lloyds Bank swept into the business, buying agencies and quickly becoming the largest group in the UK.

Few faces changed, with Lloyds in most cases retaining existing management, but the injection of new money Lloyds was able to provide was invaluable, making it possible to attract staff, buy computers and boost marketing. The new owners were able also to introduce financial planning, a discipline often neglected by the average professional partnership. Other leading chains, such as Surrey-based Mann & Co and Bairstow Eve in the Home Counties, realised the need for more capital to fight the competition and they changed into public companies and sold shares.

Within the Royal Institution of Chartered Surveyors, which shares professional representation of the agency side of the industry with the Incorporated Society of Valuers and Auctioneers, the National Association of Estate Agents and a few smaller bodies these moves have forced some rapid rethinking. Current rules forbid chartered surveyors from being directors of agencies although ironically, they allow directorship of a property development company. They also rule out holdings of more than 25 per cent by passive outside investors.

The RICS is due to remove these anomalies this year, but some members, among them Mr Jeremy Agace, head of Mann & Co, have left and may not rejoin.

The consternation of the professionals was equalled by the delight of the City of London at the flotations. Lloyds Bank had focused the financial world's attentions on the potential of the previously mundane world of house selling.

Almost 1.5m houses are sold in the UK each year and some 70 per cent pass through the hands of agents—qualified and unqualified. Fees range from 1 per cent to 3 per cent of sale price, and total income is variously estimated at between £300m and £600m a year. This income has an inbuilt inflation hedge, as houses on average have risen in price more than inflation. The future looks bright as home ownership continues to rise from its present level of about 65 per cent of the adult population to a likely maximum of about 75 per cent in the next decade.

Yet, even these sums could be small in relation to the income possible from selling financial services such as insurance and mortgages. When Mann floated last year, some 20 per cent of its profits were said to be from this area, while Bairstow Eve has raised its mortgage business to this proportion in 1985, when it sold £1bn worth of homes.

This is why BE's issue was 25 times oversubscribed, and similar interest was shown in Connells, which was only the 17th biggest agency in the UK (compared with 2nd and 3rd respectively for Mann and BE) when it went public in 1984. It is also why Hambro has just paid more than £75m for 80 per cent of BE while Legal & General has taken an 8 per cent stake in Connells.

The Prudential, Britain's biggest institution, has taken over a provincial agency to test the field of property services, while the broad-based conglomerate, Hanover Investments, has acquired some well-known names, including Druce and Co, and is hunting for more.

Chartered surveyors are caught in a dilemma because their concentration on professional standing has not equipped them in general for this financial activity. Some of the more expansion-minded would like to go public, but the 9,000 or so firms in Britain are mainly small partnerships. "These do not have to keep audited accounts and it is a proviso of a listing to have five years' audited records, so there may be a delay before we see many more flotations," Mr Agace says.

In the meantime, agents are trying to become more efficient —and to persuade the public that it is worth having a chartered surveyor to sell your house. Extra competition is coming from cut-price property shops and services provided in stores like Woolworths and Debenhams. Even some solicitors are opening agencies.

RICS members admit that you do not need to be a chartered surveyor to sell houses, but the qualifications are important for essential technical work like surveys and difficult sales.

"You may not need to be qualified for 90 per cent of sales, but you cannot tell in advance which ones the other 10 per cent will be," says Mr Peter Miller of Storey Sons and Parker, based in north-east England and RICS housing spokesman.

The sole agency practices in this part of the world mean surveyors are usually in the front office handling sales. But in the south, according to David Robinson of King & Chasemore, where multi-agency is the norm, surveyors tend to be in the back-room, although they are still considered just as important for the technical problems.

Support for qualified staff comes from Mr Agace. "We do not use surveyors for selling houses but we employ a lot of qualified people to do all the technical back-up," he says. He believes the various professional bodies should get together to produce a house-selling qualification and is highly critical of the lack of marketing training by the RICS. Mann runs its own training courses and examinations.

Mr Roy Mercer, head of Black Horse, the Lloyds Bank group of estate agencies, has also castigated lack of marketing training, even though he could not fault the professional grounding of the 237 RICS and ISVA members employed within the organisation. But the RICS has recognised its weakness and set up a new training certificate in marketing.

The future shape of the industry is being moulded between twin pressures—the attentions of predators (who are sometimes other agents), and the need for better marketing and management skills.

Within the next decade a new balance will be created with about 10 nationwide chains and a lower tier of smaller agents relying on their local market knowledge or the personal contact needed to sell more expensive houses, Mr Miller predicts.

"The building societies may come in for a few years before they realise it is not so lucrative as they thought—nor so easy. You cannot apply retailing techniques, as the process of buying is so long that people have time to change their mind. You cannot persuade them to buy something they do not want."

Cut-price operators are already finding that something like 80 per cent of overheads are fixed no matter what is sold, and some 30 per cent of sales are aborted. Add that to possible downturns in markets and the fruit looks less juicy to eat and a lot more like hard work to harvest.

Like the corner shop, the small agent could retain its hold because the owner is willing to take on a way of life providing a personal and technical service—which is where the chartered surveyor came in.

Jeremy Agace, of Mann & Co

Peter Miller, RICS housing spokesman

Rise of tenants' power demands new approach

Commercial Agencies

DAVID LAWSON

THE RISE of tenant power has changed the business of buying, selling and leasing business buildings—the most visible of the services provided by surveyors and the one most associated by the public with estate agents.

At one time a developer would put up his office block, or an industrialist would clear out of his redundant factory, and then call in the agent to find a new tenant. The recession of the 1980s has finally killed off that trend. There tend to be more buildings than tenants, who correspondingly now have a lot more power to pick and choose space.

"We now have to be in right from the start," says Mr Julian Shellard of Richard Ellis, one of the top half dozen commercial agencies based in the UK. "We need to do a lot of research, give a lot of advice on what potential tenants will want and take a lot of trouble over the right sort of marketing."

A much greater degree of technical knowledge is now required. Letting a small office suite in the City of London, or a small warehouse in Sheffield, may not require the panoply of a full surveying education and qualification from one of the professional bodies—just good salesmanship. Most work in today's tight markets however, needs background knowledge of the technical specifications related to the efficiency and servicing of buildings so that the questions of more demanding potential tenants can be properly handled.

Similarly, developers and owners selling or letting buildings demand full briefings from agents of the market potential, relative rent levels and correct designs and modifications to increase the chances of a quick transaction.

Agency teams—and even individual partners in small firms —might still retain a separate role from the building surveyors, rating valuers and investment advisers in their office, but they have acquired some of this specialist knowledge because they need to draw together the information for planning and marketing campaigns.

"There is no great necessity to be a chartered surveyor to buy and sell space," Mr Shellard says. "But when you are giving advice on decisions which can cost a great deal, it is important to be as well qualified as you can."

The rewards for agency work can vary. Since the dismantling of the professional bodies' fixed fee scales these generally involve about 10 per cent of a year's rent or 1½ per cent of the premium on a freehold sale. This can be an attractive return on the letting of a 70,000 sq ft London office block at rents upwards of £20 a sq ft, although not so startling on a 3,000 sq ft warehouse in the provinces let a £1.50 a sq ft after a lot of sweat and overheads to pay.

In buoyant times agency fees can provide more than half the income of a mixed practice, although they tend to average about 30 per cent. These are less buoyant times however, and as Mr Michael Dix of Richard Ellis points out, property has fallen from its exalted position as an inflation hedge and now must sell itself as an investment in a consumer-led market.

That means less business and fewer fees. In the US, brokers do their best to make up by trying to poach business established clients from each other. UK professional bodies forbid such actions but Mr Shellard says that a great deal of time is spent approaching companies (through their advisers if they have them) to offer advice on redevelopment, relocation, rationalisation and other property matters, often long before the company has considered such action itself.

Some agencies cut fees to win tenders for work, but this tends to be self-defeating as clients are looking more for sound advice rather than the saving of a relatively small amount of money.

Julian Shellard, of Richard Ellis

Challenge for leading role in construction team

Project Management

MIRA BAR-HILLEL

THE Nissan Motor factory at Washington, Tyne and Wear, was completed just before Christmas to the satisfaction not only of the main contractor, Sir Robert McAlpine, but also of the exacting Japanese client, senior engineering adviser Mr Akira Shimanuki. The £20m contract, which remained within both time and cost—in spite of a serious delay caused by a sub-contractor — was managed from the beginning by quantity surveyors Turner and Townsend.

Contact with Nissan had been made in 1981. Only weeks after Washingtaon was chosen as the location, full tenders were received and four short-listed contractors interviewed. In view of Nissan's special requirements for speed and reliability, says senior partner Geoffrey Townsend, "traditional UK methods of tender procurement were not even worthy of serious consideration."

The unorthodox approach by Nissan, which included a penalty clause rumoured to have been £50,000 a week, paid off all round.

The project highlights the unpopularity of "traditional" contracting methods and the role which this trend offers chartered survoyers who are trained to owe full allegiance to their client.

Confidence

"A project manager must have total awereness of his clients' requirements, the input required from consultants, the responsibilities of the contractor and the potential problems and liabilities which may arise," says Mr Ian Miller, a partner with quantity surveyors Gleeds.

"The QS is ideally placed to fulfil this role because the whole training tends to produce meticulous documentation and programmed methods of work." Gleeds has set up a company offering project management.

"The quantity surveyor already has the client's confidence, having been involved at the inception of a project advising on cost and specification. He can thus easily set up the contractual documentation and procedures, integrating within them the information provided by the other professionals, giving him an invaluable overview of the entire situation," Mr Miller says.

General practice surveyors may become involved in an early stage, perhaps even earlier than the QS, if the client seeks property advice before looking closely at the construction options.

"The full working knowledge of the industrial and commercial processes can only be found in the multi-disciplinary practice of chartered surveyors," says Mr David Thomas, of Norman Rourke & Partners. This theme is amplified by Mr Michael Warner of Richard Ellis, who makes much of the surveyor's ability to admit he does not know all the answers. But he does know where to find them, and is never too proud to call in expert advice.

Much is made by general practice surveyors of the property aspects of project management. "It is of little value to a client to get a superb building quickly and cheaply—only to find that it is the wrong location, or that an economic return would require far higher rents than the local norm," says Mr Warner. But this hardly qualifies estate agents to handle architects and engineers once the correct property decision has been taken and it is time for construction to begin.

Mr Michael Finn, senior building surveyor at Drivers Jonas, agrees. Special qualities of leadership are required and it is important for clients to make the right personal choice. The surveyor should not hide his light under a bushel, he says.

"The project manager should not manage without it being noticed that he is there. He must generate the feeling of comradeship and team spirit which is so vital—and hopefully make an ally, not an enemy, out of the architect," Mr Finn says.

Clashes with the architect—almost inevitable in forms of contracting which involve non-architect team leaders — are difficult to air in spite of their importance. Surveyors, especially QSs, are often nominated by architects and therefore reluctant to be quoted. But few believe that architects are still capable of leading effectively in todays conditions, albeit with some exceptions.

All the management-based innovative approaches to construction up to full design and build (which takes about 5 per cent of the market) are rooted in widespread dissatisfaction with architects' leadership. This is a problem not helped by the almost total absence of instruction in project management from the lengthy architectural training syllabus.

Building surveyors also make a claim for the team leadership. Mr Ted Watts, of Watts and Partners, says the youthfulness of this rapidly growing branch of the profession gives its members the flexibility — and modesty—to perform the function best.

There is a great deal to be said for building surveyors taking key roles in big refurbishments, some of which have cost more than new developments, as well as being more complicated and requiring deep understanding of stuctural behaviour of buildings.

Overall, however, quantity surveyors have an edge, as their specialist services are likely to be required by clients even if they are not leading the project.

Design and build specialists, IDC Group, suggest that the client has a QS advising him before, during and after the contract to make sure he is getting the best deal—especially with a guaranteed maximum price (GMP) contracts.

At Gardiner and Theobald it is a practice for the QS to chair monthly site progress meetings to discuss and expedite areas of uncertainty before they become contractual problems. "The QS is a key member and increasingly the co-ordinator and communicator of goals and targets," says Gardiner & Theobald's researcher Mr Chris Watson.

"He must ensure that the client's original objectives are met and, if these should change, then this should happen with the least repercussion and with the client's full knowledge of the possible implications before any change is decided upon."

The QS can even be a blessed peacemaker in the thorny field of industrial relations, as Mr Arika Shimanuki found first hand.

"Your strict demarcation between trades leads to a lack of co-operation between workers and several days may be lost correcting mistakes. In Japan carpenters and steel fixers, for example would help each other."

This general observation could have had serious effects on the contract were it not for Turner & Townsend agreeing an early "overall industrial relations philosophy" and holding frequent meetings, to make sure that such problems never arose.

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William Cochrane reports on the growing importance of financial and asset management services

Profession sets about filling knowledge gap

Investment Services

SPECULATION has been rife about the role of the chartered surveyor in the reformed UK securities industry after October's "Big Bang" has reshaped the City of London.

The question can be posed—perhaps simplistically—whether the surveyor wants to grow up and become an independent component of the financial services industry, or to get rich quick as an instantly capitalised offshoot of one of the City's new financial conglomerates.

One of the best things the profession has done is to acknowledge its limitations.

"There is a gap between what a property owner is looking for and the advice that he gets," according to Mr Christopher Jonas, senior partner of Drivers Jonas. "He may be aiming to compare the prospective total return on his property with that of an alternative investment. Yet many of these owners are still happy to accept investment advice which reports only on the open market value of the property."

Good stockbroker analysts will have detailed working paper with in-depth trading forecasts leading to earnings projections, capitalised by a figure which reflects medium-term prospects to calculate the value of an ordinary share.

"It does surprise me, given that the property valuation has to have been based on a projection of growth, that fund managers do not probe the point deeper with their advisers," Mr Jonas says.

He gave an example of how it could work. Rental levels represent demand for space fuelled principally by company profits. These in turn reflecting retail spending or the equivalent in the incomes of industrial and commercial companies.

"Movements in rents lag 18 months behind profits and dividends, so those profits and dividends are key leading indicators for the property market," he says.

"We have to get better at understanding the relationship of a property yield with other interest rates and other forms of security." In other words a 6 per cent yield be compared with the return on fixed-interest securities like gilt-edged stocks; a 16.7 years' purchase of net property income may reflect well against a price earnings ratio of 20 on an ordinary share.

Few people outside the property industry would know that a 6 per cent yield on a property, and a 16.7 years' purchase of net income, is the same thing. Not many people in the property business would draw distinctions of quality between net property income and net corporate earnings—although company "earnings per share" are rarely available in full to pay dividends to shareholders.

Unitisation

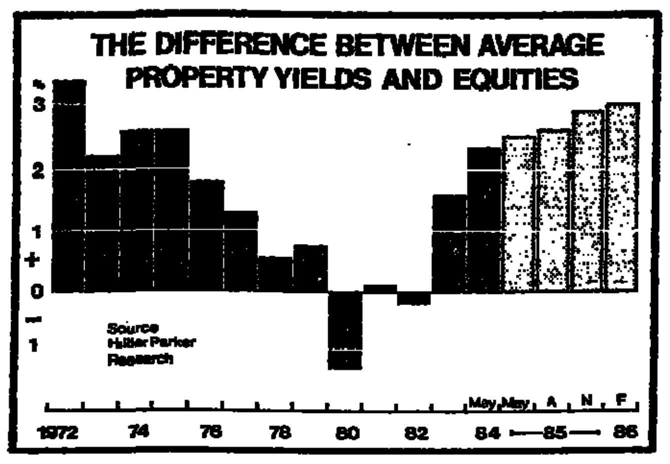
Mr Jonas says portfolio selection, and attitudes towards it, could also be improved. Decisions on property investment could be less reactive—less behind events than in the anticipation of them. The unitisation process and the more liquid market it will need may help this to happen.

He likes the analogy of the old hand in the New York equity market selling insurance shares when a hurricane is approaching the coast of Florida. "We do not have that, or its equivalent, in direct property investment yet."

On portfolio selection he says Drivers Jonas would tend to recommend a minimum number of holdings rather than a maximum one, although there was a management cost in having too many small holdings. "For smaller funds, to be in less than a dozen properties would be running too high a risk—up to 20 properties would be preferable," he says.

The problem would be funding quality property in small enough individual holdings. That is where unitisation can help.

Holding a single property in multiple ownership would be socially and economically beneficial, according to a report by the Royal Institution of Chartered Surveyors.* It would:



- Stimulate regional investment in large urban reneweal projects.
- Enable groups of smaller investors and, in due course, the public to participate in a wider market, to which they have limited access.
- Create a vehicle which would supplement the activity of big investment institutions.
- Introduce liquidity into the market to the benefit of all classes of investor.
- Open a wider range of property investment opportunities and enable an investor to spread risk through a tax-neutral vehicle.

The Rics working party, under the chairmanship of Mr Colin Vaughan of Debenham, Tewson and Chinnocks, recommended that authorised unit trusts should be created to hold these single properties.

The team is still working on who should make the market and how it should be made. However, another working party set up by Mr John Barkshire, chairman of the City conglomerate Mercantile House, has looked at the trading possibilities of single property funds.**

The team combined the views of chartered surveyors (Mr Robin Broadhurst of Jones Lang Wootton and Mr Tim Simon of Savills) with stockbrokers (Mr Peter Hardy of Rowe & Pitman and Mr J. B. Hyslop of Phillips and Drew), and fund managers Mr Michael Mallinson of Prudential Assurance, Mr J. Martin of British Petroleum and Mr D. L. Jackson of Wilverley & Hampshire Estates.

It agreed with the Rics team on the unit trust vehicle. The proposed market would have limited membership, but dealing prices available to a broader range of users through an electronic distribution and trading system, such as NASDAQ in the US.

It would require tax and legislative changes and the subject remains open until May 31 for discussion—including two public debates to be held in the City of London in April and May.

The surveyors showed up well, as they did on the Rics committee, this time bearing comparison with specialists in other fields. The crunch will come when they put an investment property on this vehicle and take it to market.

* *The Unitisation of Real Property — Royal Institution of Chartered Surveyors.*
** *The Unitised Property Market.*


Colin Vaughan (left) and John Barkshire have headed studies of new investment methods.

Values based on experience

Portfolio Management

AT A time when property has been showing poor performance it is ironic that its investment aspects have been highlighted in controversies over valuation, performance measurement, unitisation and the role of prime yields.

But this may be the time that property—lagging equity investments by up to 2½ years—is about to improve performance.

In the meantime existing portfolios have to be managed. Mr Robin Broadhurst, City investment partner of Jones Lang Wootton, draws a distinction between asset, portfolio and property management.

"Property asset management embraces the skills required to maximise the total return from a property portfolio on behalf of a client," he says. This includes portfolio and property management.

Mr Peter Redhead, of the property management arm of Hillier Parker, says: "The client wants growth in value—capital, rents or a combination. Property managers want a building to grow to anticipation; they make sure it does that, or better, and that it outperforms other investment media."

He lists four main ways of going about this:

- First, and easiest, to ensure that tenants are happy and demand for the building is constant and increasing — "to create an environment better than that of the competition."
- To work on the frequency of rent review—"the more frequent, usually the more value."
- To improve the type of tenant, the quality of covenant, perhaps to get change of use.
- To decide when a property needs major re-investment. "We are doing a big refurbishment project at the Butts shopping centre at Reading. The tenants have been less than prime but the refurbishment is attracting prime quality tenants and a better class of customer."

Hillier Parker, which manages 14 shopping centres and could be instructed on six or seven more soon, believes the refurb-argument can apply to any type of property. "If you take the risk of buying run-down property, then management can really move it," Mr Redhead says.

Ingrown

"It is important to take the same attitude on new developments. In property management we get involved in advising management on shopping centres before they are built."

Mr Broadhurst brings the controversy about valuations into a broader focus. "There is no evidence of significant systematic error in valuations at the portfolio level as compared with sale prices," he says. "Surveyors deal with real worth, stockbrokers with marginal prices."

The property industry is sometimes accused of an ingrown mentality in comparing (or failing to compare) the returns on property with those on equities. Mr Broadhurst has put the boot on the other foot by comparing the quality, and hence the level of risk.

Christopher Jonas: "will require market capacity"

"Valuation is an expression of an opinion and the value of the opinion largely depends on the knowledge and experience of all facets of the market," he says. "The quality of opinions not guided by personal knowledge of the market are suspect.

"While valuations of straightforward properties commonly fall within a 5 per cent band, more complex properties may produce opinions showing a larger divergence. Given that property is not a homogeneous market, this situation is inevitable.

"Most property owners have overcome the problem by working with a valuer over a long period and learning to understand the attitudes adopted."

Another area of potential conflict has been performance measurement. Commentators have been finding it hard to decide whether this is a tool for investment managers, a stick to beat them with, or, a whip for self-flaggelation.

Important work, however, has been done on basic data. Mr Rupert Nabarro has established the Investment Property Databank—funded by Chestertons, Cluttons, Debenham Tewson & Chinnocks, Drivers Jonas, Savills and Weatherall Green & Smith—to record the individual property investments of the major institutions.

Meanwhile, Healey & Baker, Hillier Parker, Jones Lang Wootton and Richard Ellis have been working together on the pilot Property Index study to provide reliable indices of total return and capital value movements in the property market.

The two groups have now got together, with IDP providing data for the property index. In future the collation of data and compilation of the Property Index will be carried out by an independent body and published by the Royal Institution of Chartered Surveyors.

The property industry is getting into one of the age-old arguments of investment management—whether active dealing, is a good idea, perhaps to the extent of institutions holding some properties in a dealing portfolio.

Mr Christopher Jonas, senior partner of Drivers Jonas, says this will first require market capacity. "The dealing has been construed by the high cost of trading and, until recent years, the lack of reliable information on which to base decisions," he says.

"Property is an imperfect market. If you deal out of it you have to be happier in cash, or something else. While you can turn property into cash in 60 days if you are lucky—certainly in 90 days—it is harder to get cash into property. So dealing to improve portfolio performance is frustrated."

Mr Jonas forecasts that until we have a more flexible form of investment—such as unitisation, or its equivalent—the property industry will not be able to achieve active trading in portfolios to anything like the same extent as other securities markets.

Conflicts stimulate demand for advice and negotiation skill

Planning

ELAINE WILLIAMS

PLANNING is in a state of confusion. The pressure and pace of new forms of building development has resulted in a mismatch between the needs of the construction industry and planning legislation. This mismatch is particularly evident in the growth sectors of retailing and high technology which tend to show up planning policies and legislation as outdated.

Developers of superstores and high-technology or office complexes often want greenfield sites, while local authorities are often dedicated to rebuilding or protecting town centres, says Mr Eric Davies, senior partner of G. L. Hearn & Partners.

An example of such a conflict was the five-year battle between developer Mr Derek Penman and Blaby District Council over plans for a 1.25m sq ft shopping centre outside Leicester. Mr Penman had argued that his Centre 21—on a site 3½ miles from Leicester at the junction of the M1 and the A46 would bring the equivalent of London's West End shopping to the Midlands and create considerable employment.

The planners, backed by the Environment Secretary, rejected the scheme several times because of fears that retailers in the centre of Leicester would lose trade. After a public inquiry and four High Court appeals, Mr Penman lost another round in his battle to win approval for the scheme in the court last month but may yet appeal again.

Pressure to build other regional shopping schemes around the M25 in the south and between Edinburgh and Glasgow mean the outcome is seen as a crucial test of planning policies which protect town centres.

Other planning disagreements are constantly being thrown up because of pressures to create jobs by building new factories and offices — but coming up against the fact that few people want to live near such developments. Trying to create a balance between jobs and the environment is difficult.

Such conflicts have stimulated demand for surveyors to provide advice and to negotiate between local authorities and the private sector. Such advice helps minimise costs and delays when clients are faced with increasingly complex legislation.

Interpreting

Some specialise in planning, putting proposals for developments in local and national market context, and handling the design, construction, funding and cost levels.

Mr Stuart Robinson, of Hillier Parker, a leading UK firm of chartered surveyors, says he is most frequently involved in interpreting the legal framework of planning in five areas:

- Changes of use, particularly with buildings where the planning history is complex or unclear.
- Conservation.
- Assessment of planning gain.
- Appeal advice.
- Compensation.

Chartered surveyors see one of their main roles as providing advice on urban renewal, preservation and general land use against the backdrop of legislation, economics and development potential.

Confrontation between pressure groups and developers is common. Last year in England and Wales there were 16,000 planning appeals, which allowing for withdrawals, was the highest total for 12 years. It is likely that this number of appeals will grow because of pressure for sites in areas affected by the M25 and green belts.

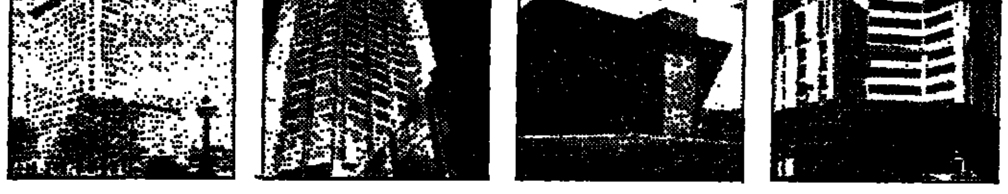
"The tide is going out for planning controls," says Mr John Trustram Eve, senior partner with J. R. Eve. To promote growth there would have to be an easing of restrictions and planning practices.

Mr Eve is involved with the CBI working party looking at the potential within inner London and chairs a working party within the Royal Institute of Chartered Surveyors looking at the future of planning in Britain. He believes that simplified planning procedures will be important for creation of opportunities but that the public's often hostile attitudes towards new developments must change to take advantage of them.

Chartered surveyors on the Property Advisory Group, a government "think tank," have also suggested radical changes in the tight categories of business use for buildings. These could enable many planning disputes to be eliminated.

During the past 20 years planning consultancies have emerged as an important area of property advice. Between 1983 and 1984 the number of planning consultants increased by 50 per cent and firms like Hillier Parker have specialised planning departments to help advise clients on the problems of property development.

But surveyors are not alone in this market with architectural firms becoming increasingly competitive as the building industry continues to feel the pressure of the recession.



THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
14	15	16	17	18	19	20

Music

PARIS

Bernard Ringeissen, piano, Chantal Bastide, soprano, Orchestre d'Harmonie des Gardiens de la Paix conducted by Claude Pichaureau: Dukas, Schubert, Mozart, Donizetti, *Gershwin (Mon 6.30pm)* TMP-Chatelet (4233 0000).

Ensemble Orchestral de Paris conducted by Sandor Vegh, Jean-Pierre Wallez, violin: Beethoven, Schubert (Tue). Salle Pleyel (4561 0630).

Peter Schreier recital (Mon). Théâtre de l'Athenée (4742 6727).

Orchestre de Paris, Dietrich Fischer-Dieskau, baritone, Hartmut Hoell, piano: Wolf Mörike lieder (Wed). Salle Pleyel (4561 0630).

Nouvel Orchéstre Philharmonique conducted by Wolfgang Doerner and Maitrise de Radio-France: Mozart, R. Strauss, Mendelssohn (Thur). Salle Pleyel (4561 0630).

Moura Lympani, piano: Ravel, Debussy, Rachmaninov (Thur). Salle Gaveau (4563 2030).

LONDON

City of London Sinfonia and Richard *Hickox Singers conducted by* Richard Hickox. Finzi, Elgar, Vaughan Williams and Holst. Barbican Centre (Mon). (638 8891).

Philharmonia Orchestra conducted by Esa-Pekka Salonon. Mahler 7. Royal Festival Hall *(Mon). (928 3191).*

London Philharmonic Orchestra conducted by Klaus Tennstedt. Mahler 6. Royal Festival Hall (Tue).

Royal Philharmonic Orchestra conducted by Vladimir Ashkenazy with women of the London Symphony Chorus and Jessye Norman, soprano. Debussy and Berlioz. Royal Festival Hall (Wed).

Beethoven's Missa Solemnis with the English Chamber Orchestra and Tallis Chamber Choir conducted by Jeffrey Tate with Margaret Marshall, soprano, Ann Murray mezzo-soprano, Dennis O'Neill, tenor and Stafford Dean, bass. Barbican Centre (Wed).

London Symphony Orchestra and Pro Musica Chorus conducted by Marek Janowski with soloists including Jill Gomez, soprano. Beethoven and Mozart. Barbican Centre (Thur).

Borodin Quartet. Shostakovich (Thur). Queen Elizabeth Hall *(928 3191).*

Philharmonia Orchestra conducted by Esa-Pekka Salonen with Kyung-Wha Chung, violin. Sibelius and Schoenberg. Royal Festival Hall (Thur).

NETHERLANDS

Amsterdam, *Concertgebouw. Anton* Kersjes conducting the Netherlands Philharmonic, with Heinrich Schiff, cello. Rimsky-Korsakov, Tchaikovsky, Shostakovich (Mon, Tue). Recital Hall: Carolyn Watkinson, mezzo, accompanied by Rudolf Jansen. Schubert, Mahler, Wolf, Obradors, De Falla (Tue). Ik-Hwan Bae, violin, and Daniel Blumenthal, piano. Mozart, Beethoven, Bach, Debussy, Chausson (Wed). Radio Chamber Ensemble. Ruppe, Brandt Buys, Van Anrooy (Thur). (71 83 45).

Utrecht, Vredenburg. Jean-Bernard Pommier, piano. Haydn, Beethoven, Chopin (Wed). Anton Kersjes conducting the Netherlands Philharmonic, with Heinrich Schiff, cello. Rimsky-Korsakov, Tchaikovsky, Shostakovich (Thur). Recital Hall: Glinka Quartet, with George Pieterson, clarinet, and Ronald Brautigam, piano. Prokofiev (Tue). Schoenberg Ensemble. Dallapiccola, Berio, Scelsi, Nono (Thur). (31 45 44).

Rotterdam, De Doelen. Recital Hall: Mozart quintets performed by members of the Orchestra of the 18th Century (Mon). (14 29 11).

VIENNA

Zurich Chamber Orchestra conducted by Edmond de Stoutz with Dang Thai Son, piano: Haydn, Mozart, Tchaikovsky. Konzerthaus (Tue).

Milwaukee Symphony Orchestra conducted by Lukas Foss with Ivo Pogorelich, piano. Bach, Schoenberg, Foss, Tchaikovsky. Konzerthaus. (Tue).

Huguette Dreyfuss, harpsichord. Bach and CPE Bach: Albertina. (Wed).

Vienna Symphony Orchestra conducted by Leopold Hager with Tsuyoshi Tsutsumi, cello, Christine Whittlesey, soprano, Ioana Borovska, alto, Richard Karczykovski, tenor. Schumann, Mendelssohn, Musikverein. (Thur).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Pierre Boulez conducting, Phyllis Bryn-Julson soprano. Stravinsky, Debussy, Boulez, (Tue); James Conlon conducting, Salvatore Accardo violin. Copland, Paganini, Prokofiev (Thur). Lincoln Center (874 2424).

Carnegie Hall: Y Chamber Symphony. Gerard Schwarz conducting, Alexis Weisenberg piano. R. Strauss, Mozart, Stravinsky, Weill (Mon); Bella Davidovich piano recital with Dmitry Sitkovetsky violin. Mendelssohn, Grieg, Mozart, Ravel (Wed). (247 7459).

***Kaufmann Hall**: Chamber Music with* Ax, Kashkashian, Laredo, Robinson. Schumann and others (Tue, Wed). 1395 Lexington Av.

Merkin Hall (Goodman House): Speculum Musicae. Michael Gandolfi: Personae *(world premiere)*, Sherree Clement, Olly Wilson, Bulent Arel (Mon). 67th W. of Broadway (362 8719).

WASHINGTON

National Symphony (Concert Hall): Michael Tilson Thomas conducting, pianist. Mozart, Gershwin, Berg, R. Strauss (Tue) Michael Tilson Thomas conducting, Marcus Thompson viola. Telemann, Mahler (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir Georg Solti conducting, Francis Akos violin. Bach, Mahler (Wed, Thur). (235 8111).

Daniel Barenboim piano recital (Orchestra Hall): All-Beethoven programme (Tue). (235 8111).

TOKYO

Japan Philharmonic, conducted by Naohiro Totsuka: piano: Ikuyo Kamiiya. Mozart, Strauss, Sibelius. U-Port Hall, Gotanda, (Mon). (237 9990; 980 6060).

New Japan Philharmonic Orchestra, conducted by Michiyoshi Inoue; clarinet: Yoshiaki Suzuki. Hindemith, Weber, Scriabin. Tokyo Bunka Kaikan. (Thur). (499 1531).

Traditional Japanese Music. A programme of music and dance inspired by the classic epic, The Tale of the Heike. Honmoku Tei, near Ueno Hirokoji subway station (Wed). (541 7094).

Biwa Lute Recital with song. 11 top Minoru Koshi performers present works from classical Japanese repertoire. Ginza Gas Hall, next to Yamaha Hall in Ginza. Advance *booking not necessary (Thur).*

Opera and Ballet

PARIS

Paris Opera: La Traviata alternates with Cherubini's Medea conducted by Pinchas Steinberg in a new production by Liliana Cavani with Shirley Verrett/Dunja Vejzovic in the title role and Werner Hollweg as Jason. Also Tchaikovsky's Manfred choreographed by Rudolf Nureyev with the poet danced by Charles Jude/Jean Guizerix, the sister by Florence Clerc/Karin Averty and the Countess by Monique Loudi*eres/Elisabeth Platel.* (4266 5022).

Maurice Bejart's 20th century ballet follows le Baiser de la Fee by Le Concours danced to music by Hugues Lebars, Adam, Tchaikovsky, Strauss. Palais des Congres. (4266 2075).

L'Ecume des Jours: A world premiere, music and text by Edison Denisov, inspired by a Boris Vian novel. The orchestra, which includes two saxophones, electric guitar, jazz piano and drums is conducted by John Burdekin. Opera Comique (4296 1220).

Il Signor Bruschino: Rossini's one-hour opera conducted by Jerome Kaltenbach, at 6.30pm at the TMP-Chatelet (4233 4444).

LONDON

Royal Opera, Covent Garden: After an absence of some years The Flying Dutchman returns to Covent Garden in a new production by Mike Ashman conducted by Gerd Albrecht with Simon Estes, Rosalind Plowright, Siegfried Jerusalem and Robert Lloyd. On Sunday evening Dietrich Fischer-Dieskau gives another of his Celebrity Recitals in the house.

English National Opera, Coliseum: Another brand new Wagner production this week, even more eagerly awaited: Parsifal in Andrew Porter's English, conducted by the great Reginald Goodall, produced by Joachim Herz, and with a cast including Warren Ellsworthy, Anne Evans, Gwynne Howell, and Neil Howlett. Also in repertory: the ENO's lively, well-sung account of Jonathan Miller's "dream-in-a-library" Magic Flute, and the company's largely unsatisfying Madam Butterfly.

Royal Opera House, Covent Garden: The Royal Ballet offers a triple bill of Frankenstein, Consort Lessons and Gloria.

WEST GERMANY

Berlin, Deutsche Oper: This week's highlight is Tosca starring Janis Martin and Giorgio Lamberti. Madame Butterfly has Yoko Nomura, Helga Wisniewska and Franco Tagliavini. Also in the repertory: Der Barbier von Sevilla and Die lustigen Weiber von Windsor.

Hamburg, Staatsoper: Parsifal has Gabriele Schnaut making her debut as Kundry. Faust, with a complete new cast, features André François, Gabriela Benackova and Alberto Cupido. Fidelio has Lisbeth Balslev brilliant as Leonora and James King as Florestan.

Frankfurt Opera: Hector Berlioz' rarely played Die Trojaner is again offered this week. Anja Silja's masterly Kassandra leads a strong cast. Premiering this week is Orpheus in der Unterwelt, produced by Jürgen Tamchina. Don Pasquale has fine interpretations by Julie Kaufmann, Bodo Schwanbeck and Barry Mora.

Cologne Opera: Madame Butterfly brings together Yoko Watanebe in the title role and Tone Kruse. Tristan und Isolde is well cast with René Kollo and Jeannine Altmeyer. Lucia di Lammermoor rounds off the week.

Munich, Bayerische Staatsoper: Elektra, conducted by Heinz Fricke, is respectable with Astrid Varnay, Ingrid Bjoner and Carmen Reppel: Don Giovanni is worth seeing with Edita Gruberova, Trudeliese Schmidt and Kurt Moll. Manon is a Jean-Pierre Ponnelle production. Also offered Volker David Kirchner's Belshazar.

WASHINGTON

Joffrey Ballet (Opera House): National tour of the noted international company. Ends March 23 (254 3770).

CHICAGO

Pilobolus Dance Theatre (Goodman): Traditional dance combined with gymnastic daredevilry makes this a popular contemporary troupe. Ends March 23. (443 3800).

TOKYO

Vienna State Opera: Der Rosenkavalier and The Marriage of Figaro. Tokyo Bunka Kaikan (262 7141; 571 1689).

VIENNA

Volksoper: Schwanda der Dudelsackpfeifer by Weinberger; Orpheus in the Underworld; Die Csardasfürstin; La Bohéme (5324/2657).

NEW YORK

Metropolitan Opera (Opera House): The week features Sir Peter Hall's production of Carmen conducted by James Levine with Maria Ewing in the title role, Catherine Malfitano as Micaela and *Placido* Domingo as Don Jose. It joins the repertory of Simon Boccanegra with Kiri Te Kanawa as Amelia and Sherrill Milnes in the title role conducted by Myung-Whun Chung, Falstaff conducted by James Levine and the last seasonal performance of Francesca da Rimini *conducted by Nello Santi* with Renata Scotto in the title role. Lincoln Center (362 6000).

New York City Opera (NY State Theater): The company's first musical comedy season kicks off with five weeks of Lerner and Loewe's Brigadoon, conducted by Paul Gemignani in Gerald Freedman's production. Ends Mar 30. Lincoln Center (870 5570).

BRUSSELS

Cirque Royale: The Cunning Little Vixen by Leos Janacek (in Czech) conducted by Friedmann Layer with Stephanie Kaluza, Patricia Schuman and Dalibor Jedlika (218 20 15).

NETHERLANDS

Amsterdam, Stadsschouwburg. Netherlands Opera production of Arabella by Richard Strauss directed by Lotfi Mansouri, with Ashley Putnam in the title role, and John Bröcheler as Mandryka. The Rotter*dam Philharmonic conducted by* Edo de Waart, dancers from the National Ballet (Tue). (24 23 11).

Tilburg, Stadsschouwburg. The Marriage of Figaro (in Italian) from the Netherlands Opera directed by Rhoda Levine, with the Netherlands Philharmonic and the Opera Choir *conducted by Hartmut Haenchen.* Jake Gardner as Figaro, and Sylvia McNair as Susanna (Wed). (43 22 20).

Amstelveen, Cultureel Centrum. Martin Mälze conducting the Hoofdstad Operette in Lehar's Count of Luxembourg, directed by Alexander Pichler (Tue to Thur). (45 84 44).

The National Ballet with Frederick Ashton's The Dream (Mendelssohn), the world premiere of a new ballet by Toer van Schayk, and Sonia Gaskell's Rhythme en klank. Wed in Eindhoven, Schouwburg (11 11 22). Thur in Enschede, Schouwburg (32 32 33).

Theatre

NETHERLANDS

Amsterdam, Bellevue Theatre. English Speaking Theatre of Amsterdam with Orton's Entertaining Mr Sloane directed by Grant Coburn. All week except Mon, matinee Sun (24 72 48).

LONDON

The Scarlet Pimpernel (Her Majesty's): Donald Sinden in resplendent plummy-voiced form as Baroness Orczy's one-man resistance movement to the French Revolution. Opera director Nicholas Hytner's efficient and sparkish production has smoke, tumbrils, rat stew and rolling heads. (930 4025).

As You Like It (Barbican): Much improved since last year's Stratford-upon-Avon season. Adrian Noble's loosely Edwardian production now emerges as a secret-garden adventure where Rosalind (Juliet Stevenson) has the sisterly devotion of Celia (Fiona Shaw) threatened by Orlando (Hilton McRae). A superb Jacques from Alan Rickman. The RSC Barbican repertoire also includes a fine Othello with Ben Kingsley and, in The Pit, Christopher Hampton's absolutely breathtaking, unmissable version of Les *Liaisons Dangereuses (628 8795).*

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Barnum (Victoria Palace): Michael Crawford with his breathtaking performance as the circus impresario, *adding one or two new tricks in* a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful *and literate of musicals*, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

Torch Song Trilogy (Albery): Antony Sher plays Harvey Fierstein's four-hour triptych of the life and loves of a drag queen fighting for emotional and domestic stability. Truthful playing has the effect of cruelly exposing Fierstein's tackily uneven writing. (836 3878).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady. Beryl Reid rising inimitably above the material. Jean-Pierre Aumont and Sian Phillips *lending more conventional* support. John Dexter directs, Jocelyn Herbert designs. (437 3686).

Interpreters (Queen's): Love among the diplomats, according to Ronald Harwood has a superb role for the matchless Maggie Smith renewing a cross-cultural affair with Edward Fox *in the shadow of a summit* between The Soviet Union and Britain. Fluent direction by Peter Yates *of the West End's best new play of* the year. (734 1166).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

Are You *Lonesome* Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's magnificently wrecked and flabby King in crushed velvet jumpsuit has reached this *pretty pass. Exploitative*, but not strictly for tourists. (836 2294).

Les Misérables (Palace): Notably well sung and spectacularly produced rock opera from the Nickleby and Cats team of Trevor Nunn, designer John Napier and lighting man Dav*id Hersey, Colm Wilkinson* superb as Jean Valjean. A melodramatic distillation of Hugo, and none the worse for that. The French score is rousingly melodic, with serviceable new lyrics from Herbert Kretzmer. (437 6834)

Blithe Spirit (Vaudeville): Excellent revival of Coward's *eternal triangle* comedy, notably well costumed and lit, with Jane Asher and Joanna Lumley fleshy and ethereal foils to Simon Cadell's sexually threatened suave novelist. Marcia Warren is a fine Arcati, a serious amateur in woollens and psychic research from South London. (836 9987).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and *choreographically feline*, but *classic* only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix *of memories and jokes focuses* on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical *ever* in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): In *moving to* Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (239 6200).

Big River (O'Neill): Roger Miller's music *rescues this sedentary* version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

WASHINGTON

The Wild Duck (Kreeger): *Romanian* director Lucian Pintilie follows his production of Tartuffe with the Ibsen classic, again using the stunning set and costumes of Radu and Miruna Boruzescu. Arena Stage (488 3300).

Exhibitions

LONDON

The Royal *Academy*: Sir Joshua Reynolds. The long-awaited tribute *from the Royal Academy to its* founding president fills the principal galleries of Burlington House until March 31 (sponsored by National Westminster Bank). A truncated version has already been shown in Paris. It is an equivocal compliment, for it confirms Rey*nolds as one of England's major* art-historical heroes and exposes his limitations as a painter. Lacking the flair of such contemporaries as Ramsay and Gainsborough, let alone of the older masters of the grand manner, such as Van Dyck and Veronese, he had the ambition to match himself against them, and whatever he achieved in position and accomplishment was by effort and determination.

The Tate Gallery: 40 Years of Modern Art is a huge, rambling and always fascinating display marking the retirement of Ronald Alley, Keeper of the Modern Collection for the last 20 years. He has chosen and arranged the show, drawing only on the Tate's stocks. Revival of critical interest in European work before 1960 has meant that the influence of the *New York School is no longer the* power it once seemed. The work now take its place with its international peers. The Tate stands among the best of modern collections, and this show makes clear its unique character of *generosity and open-mindedness.* Ends Apr 27.

PARIS

Homage to Paul Delvaux. Distant and solitary in their cool perfection, their large eyes unseeing, Delvaux's *nudes people his dreamlike* universe. The one touch of realism comes in the painting of his mother's kitchen, with an old-fashioned coal burning stove, grandfather clock and cured ham hanging from the rafters. Centre Wallonie-Bruxelles, Ends March 31 (4271 2616).

Rembrandt's engravings: Engravings from the Dutuit collection represent Rembrandt's intimate world, his family, his friends, even shopkeepers and beggars. Every subject interests him, from biblical scenes to the most varied expressions of his own face, from a portrait of a philosopher to an image of a couple making love. He experiments endlessly with the technique of etching, with different types of paper until he achieves the same strength of artistic expression *in engravings as he* does in paintings. Petit Palais, Closed Mon. Ends April 20 (4265 1273).

Vienna 1880–1938: Centre Pompidou stages one of its vast exhibitions where different disciplines combine to bring to life a moment of history. Turn of the century *Vienna, melting* pot of nationalities and races, is the scene of a paradox. The mournful atmosphere of a *fin de regne* is lit by an explosion of ideas and ar-

Continued on Page 21

Cinema/Nigel Andrews

Piping hot pizza does you good

Echo Park directed by Robert Dornhelm
Clockwise directed by Christopher Morahan
Jagged Edge directed by Richard Marquand
Young Sherlock Holmes directed by Barry Levinson

"Love is like a pizza," says the battered old wisacre (Timothy Carey) who runs a Los Angeles pizza delivery service in Robert Dornhelm's deliciously scat-headed *Echo Park*. We may speculate at will over what he means, since he does not elaborate. But *Echo Park* is certainly like a pizza. It has a half-dozen different and pungent flavours; it has a hard crust and soft centre; and if you do not take care when eating, it can drop warm squashy bits straight into your lap.

Alternating between comedy and sentimentality, it unspools in a tumbledown pad in an artistic purlieu of LA. Here we are joined by Thomas *(Amadeus)* Hulce as a pizza salesman and aspiring songwriter, Susan Dey as his young landlady who wants to be an actress, and Michael Bowen as a young mittel-European bodybuilder who believes in the mystical power of sex.

The movie does little but take handfuls of chopped-up vignettes from their lives, throw them carelessly over the unleavened script, then shove it all in the oven and hope for the best.

But the best is what comes out — *piping hot* — in this multi-character meditation on American dreams. How Miss Dey finds herself auditioning not for Chekhov but for a singing telegram service, with optional striptease; this will be revealed to you. How Hulce tries to whistle up hit ditties while driving round LA in a van which could attract the Eyesore Abatement Society (a giant light-up wedge of mock pizza sits on top); How Bowen recalls in flashback the darkly wise proverbs his Dad used to shell out — "A good butcher uses every part of ze cow, August;" and how destinies come together as the men fall for the girl, the girl falls into bad hands, and the film — for a perilous moment going all maudlin-melodramatic, threatens to fall off the edge of the pizza.

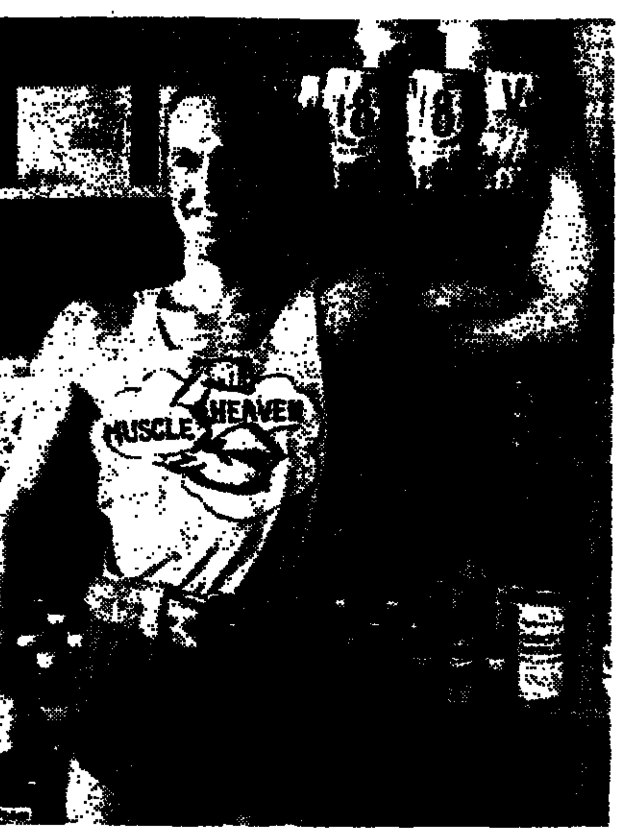
But there is enough crisp piquancy early on to suggest that Dornhelm, formerly a prolific Austrian TV director, is one of those screen chefs whose talents can travel unimpaired even to the gastronomic capital of Moviedom. The film tastes good, it is good, and it does you good.

★

Clockwise, by contrast, is a British comedy: linear, methodical and unbending right up to the point of derangement. Michael Frayn wrote the script, Christopher Morahan directs, and John Cleese, whose career silly-walked all over the place during the last year, what with *Silverado* sheriffs, SDP telly-puffs and the like, straigthens up at last for a splendid full-length comedy role.

Brian Stimpson (Cleese) is a sticker for punctuality. As the first comprehensive school head ever to be elected chairman of the Headmasters' Conference, he *must* get to Norwich well in time for his inaugural speech. But lo! It takes but one missed train, one frantically hi-jacked ride in a girl pupil's car, and the adultery-suspecting pursuit of Stimpson's wife (Alison Steadman) and the girl's boyfriend (Stephen Moore), and oh, what a noble mind is here o'erthrown!

The film moves through a logically haywire landscape of motorways, monasteries and muddy fields, a human telegraph pole wired for hysteria, is in prime tantrum form, whether vandalising an uncooperative phone booth, screaming at passing cows or (yes, back by popular demand) physically assaulting his car.



Michael Bowen in "Echo park"

Clockwise proves once again that when you want audiences to smile in front of a British TV or movie screen, all you have to do is tell them to say "Cleese."

★

Jagged Edge is like a *Perry Mason* episode which has been bitten in an exposed place and swollen into feature length. One can almost hear the purring thunder of the TV saga's theme music as the questions line up. Who killed San Francisco heiress Page Forrester? Could it be her husband Jack (Jeff Bridges) who had good reasons sexual and financial? Was it perchance a freelance psychopath? Or might it be a frame-up bid to incriminate Jack by enemies unknown?

Glenn (Big Chill) Close is Jack's lady lawyer, trailing breezes of sub-Streepian hauteur; she is soon embroiled with him in a more than professional relationship. But being a tough kookie of the post-Feminist Hollywood school, she can handle not only Jack but also her prosecution opposite number (upwardly mobile smoothie Peter Coyote), along with her old foulmouth of an ex-cop Dad (Robert Loggia) and her own Reader's Digest style of lawyer's advice: "Body language is really important in court," and so on.

This amiable romp romps on through twist and counter-twist via serrated hunting knives and clue-dropping typewriters. It is assisted by a crisp cast of characters and a complete absence of profundity in any of them. Britain's Richard Marquand (of *Return Of The Jedi)* directed, Joe Eszterhas scripted and John Coquillon handsomely photographs.

★

Young Sherlock Holmes is a preposterous proposition for purists: the hypothetical teenhood of a famous detective born, surely with meerschaum in mouth, to say nothing of dark receding hair and a tendency, when not solving insoluble crimes, to inject himself with cocaine and play the violin.

Barry *(Diner)* Levinson has directed and Chris *(Gremlins)* Columbus has written this strange folly for Steven Spielberg's production outfit. It begins with modest promise. We rattle about in hansom cabs. We are attacked by Egyptian blowguns. We are attractively lit by cameraman Stephen Goldblatt. And we suspect dark Masonic doings in a subterranean London temple.

However, at a certain point we tip right out of enterprising homage and right into loony action-pic pastiche. The screen starts to fill up with eyeboggling Special FX (courtesy of George Lucas's Industrial Light and Magic, responsible for Star Wars, Raiders, and co.), Holmes (Nicholas Rowe) turns quite unacceptably from young sage into young swashbuckler, and the whole thing comes more to resemble "Indiana Holmes and the Temple of Doom" than the growing up of the world's greatest gumshoe.

Elegy for Young Lovers/Elizabeth Hall

Andrew Clements

The first productions of Henze's *Elegy for Young Lovers* took place in Schwetzingen and Glyndebourne in 1961. Scottish Opera staged it in the early 1970s, but until Wednesday the opera had not been seen in its entirety in London. To celebrate Henze's 60th birthday, which falls in July, the London Sinfonietta hatched the idea of presenting *Elegy* at the Elizabeth Hall, in what might be termed a semi-staged version. How the orchestra accumulated the necessary finance is a marvel even by their standards, but accumulate it they did, and the composer himself conducted the performance to a more or less capacity and *enthusiastic* house.

The libretto for the opera has attracted almost as much attention as the music, for W. H. Auden and Chester Kallman provided one of their most lapidary texts in what they admitted was a homage to Hoffmansthal, their own version of *Arabella*. Sometimes the text gets in the way; lines trip up over self-consciously clever rhymes, become absorbed into their own luscious imagery. But as an operatic scenario it works smoothly enough and the central image of the egocentric poet Mittenhofer who destroys the young couple Toni and Elizabeth to fuel his own waning creativity is starkly conveyed.

The action is taut, though largely confrontational and static; the characterisation operates on a level which positively encourages parallels with the real literary world. Auden suggested both Yeats and Goethe as models for Mittenhofer, but surely Kallman (who is thought to have written three quarters of the text) put in a good deal of Auden himself as well.

Henze's music is less even. While it contains in each of the three acts several magical passages, in which text and lyrical line fuse absolutely, equally there are passages that are unfocused dramatically sometimes even apparently running counter to the sense of the text. The music he provides for the blizzard which envelopes the young lovers at the opera's climax is in instrumental *tour de force* that bears fascinating comparison with the *Peter Grimes* storm.

The scene which follows, in which the lovers prepare themselves for death by first reliving an imaginary married life and then coming to the realisation that their love itself had been illusory, is the most consistently sustained piece of writing in the opera; the emotional crux presented in direct, uneffusive words and simply effective music.

Elsewhere the resonances that sound through Henze's score are fascinatingly various. Perhaps the most surprising and in the first act especially the most striking, is that of *Le marteau sans maître:* the prominent solos for alto flute and viola to underpin vocal lines, as well as the guitar punctuations and percussion patterning all conjure up echoes of Boulez's masterpiece. There is a good deal of neoclassical Stravinsky also, but Stravinsky softened with Henze's instinct for lyrical effusion, for moulding his melodic lines into grateful curves.

For this single performance Michael Rennison's staging was necessarily simple, purging the opera of its period associations (around 1910) and concentrating instead on the characters themselves, so that the central issues of the opera emerged clearly defined. It *was* minimal, but in the context I think effective, rather like one of Glyndebourne's visits to the Proms, with the addition of a few projected images and essential props.

All the roles are substantial and fiercely demanding. Penelope Walmsley-Clark coped well with the coloratura allotted to Hilda Mack the visionary madwoman, though her mad scenes sometimes over-egged the humour; Linda Hirst was splendidly convincing as the shrewish Carolina, secretary to Mittenhofer. Philip Langridge and Teresa Cahill were a well matched pair of lovers, easily lyrical: Stephen Roberts made Mittenhofer rather more than the ogre-ish caricature he could quite easily become, while Norman Welsby was the stiff, unyielding Reischmann, physician to the poet and father of Toni.

The Sinfonietta took on the score with its usual combination of energy and accuracy; the composer's conducting had pace and dramatic point, but one will really need to listen to the BBC recordings when it is broadcast to come to a final decision on the effectiveness of the opera as a whole.

Weill Double Bill/Bloomsbury

Rodney Milnes

Our experience of Weill in this country is restricted virtually—and shamefully so—to the works he wrote in collaboration with Brecht, which form a small and hardly representative fraction of his output. For this reason, if for no other—and there were others—a warm welcome to Abbey Opera's double bill on Wednesday of *The Czar Has His Photograph Taken* and *The Protagonist*, two pre-*Threepenny-Opera* one-acters being given their British stage premières as the opening operatic salvo in this year's Camden Festival. They make a satisfying pair, each to a libretto by Georg Kaiser and each concerned expressionistically with make-believe and reality.

The plot of *The Protagonist* (Dresden, 1926) is a weird mixture of *Pagliacci* and *Ariadne auf Naxos*. The leading actor of a troupe has an unhealthily obsessive relationship with his sister; at the behest of a Duke's Major-Domo he and his colleagues perform the same mimed action twice, first as comedy, then as tragedy; at the end of the second he murders his sister, having learnt that she has a lover. *Pagliacci* very much for grown-ups.

Even aged only 26, Weill was plainly a born musical dramatist. The Hindemithian atonal scurrying (authentically alienatory) and occasional leprous lyricism (Korngold cleaned up by about 75 per cent) are riveting to listen to on their own terms and also consistently serve the drama: the short piece grips—and disturbs—from start to finish, on this occasion despite an over-fussy, almost panic-stricken production by John Eaton—(who also provided the good translation).

Updating the piece from Elizabethan England to white-faced expression-era was no help at all: action and setting failed to gel. Strong performances from Nigel Robson, splendidly crazed as the protagonist, and Elizabeth Byrne as the sister were plusses, as was the fine playing by wind band of the virtuoso mime sequences. The orchestra itself was placed up-stage behind drapes—a pity, as one wanted to *hear* much more of it.

The orchestra was where it should be for *The Czar* (Leipzig, 1928), admittedly bringing problems in its wake: the young Weill tended to score with kitchen-sink generosity. But enough of Lionel Salter's brilliant translation came across for this super-smart, glittery little black comedy to make its mark. The action, about an assassination plot that goes wrong when the victim gets amorous with the false photographer, is dangerously thin, but it is sustained faultlessly through the sardonically witty music.

Here Mr Eaton was on safer ground as producer, and Lez Brotherston's art deco set charmed. The cast was led by Helen Kucharek and Elaine Padmore as, respectively, the false and the real Angèle, with Philip O'Reilly as the Czar. Stronger voices in some of the subsidiary roles would have helped. Antony Shelley conducted both works with spirit. There are further performances tonight and tomorrow. Warmly recommended.

Café Puccini/Wyndham's

Michael Coveney

This is a very unsatisfactory awkward compilation show from Robin Ray, a "Side by Side by Puccini" with peripheral pretensions to cabaret format. For a mobile and restless chap, keeping tabs on his operas all over Europe when he should have been writing them, Puccini spent a lot of time in cafés. Mr Ray's initial idea is therefore an inspired one: an improvised show in the maestro's honour where the waiters sing back at him a selection of hits while dredging up aspects of his unseemly professional and domestic life.

Unfortunately the show slumps immediately into potted biography interspersed with operatic highlights wrenched from any dramatic context. Puccini was, above all, a man of the theatre; as he wrote to one of his later librettists, Adami, he felt commanded by God to write for the medium. He guarded his work and his artistic decisions jealously; history has proved him right on such matters as the third act of *Tosca*, deemed by the publisher Riccordi to be a disaster. Everything about this sorry event betrays a most un-Puccinian theatrical instinct.

Riccordi enters in an astrakhan coat to be rude about *Edgar* and suggest the *Manon* idea. At the end of the show, the same actor, Charles West, is introducing himself as Toscanini, "conductor," in the lead up to the *Turandot* finale. From this it will be clear that there is nothing daring or imaginative in the treatment of readily available biographical facts. "Che gelida manina" is sung on the opposite side of the stage to where Puccini is enlisting Elvira's romantic sympathy over the failure in the early Milan competition; there is no dramaturgical temperature for the item, which dies an ignominious death.

Puccini's life, in fact, was not very interesting. But you might have expected something of the Doria Manfredi scandal to fire a few outrageous liberties with the roster of wronged heroines. All we get is a telescoped, banal account of the affair after an inadequate "E lucevan le stelle" (Terence Hillyer accompanying himself on piano) and a *Butterfly* marriage renewal sequence between the bemused, curiously emaciated Puccini of Lewis Fiander and the sleep-walking Mrs Danvers-style wronged Elvira of Nichola McAuliffe. "Un bel di" and "Vogliatemi bene" simply do not match the feeble domestic scenario.

Christopher Renshaw's production never establishes the year or the location of the enclosed entertainment, even though Tim Goodchild's subterranean café with its potted palms, Puccini portraits and under-used spiral staircase cry out for topographical identity. It could not be the Club la Bohème at Torre del Lago, even if a reminiscent trio from *Golden Girl* is dragged in to suggest the remote *possibility*.

We have swift, risible visits from Mr Hillyer as Mascagni, Leoncavalli, Illica and finally son Tonio (miraculously compressing news of his parents' reunion, Riccordi's death, Tito's succession and the First World War into 30 seconds) and some eccentric musical direction from William Blezard on the ivories. The great Act 2 finale of *La Bohème* is prostituted as a vehicle for Miss McAuliffe's tarty Musetta to rule the roost in an otherwise incomprehensible sequence, typical of an evening that veers between a second-rate nudge-along for opera buffs and a poor substitute for "Friday Night is Music Night" on Radio 2.

The best singing comes from Miss McAuliffe, but I was sorry to be deprived of the promised (in the programme) versions from Jacinta Mulcahy of the most famous arias of Mimi and Tosca. As Miss Mulcahy plays a waitress and Doria, I suppose she must expect to have a rough time. No tips. That double, incidentally, is toyed with and dropped with the very opposite of competent Puccinian thriftiness. Only when Mr Fiander awakes from his nightmare to find the neon-lit *café* sign extinguished to make way for Strauss does the opening promise *of* excitement return, briefly and too late.

LPO/Festival Hall

Paul Driver

The Royal Philharmonic Society's series of Festival Hall concerts by different orchestras each playing French music *resumed on Wednesday night* with a programme given by the London Philharmonic under Yan Pascal Tortelier and included a work by Debussy which has never previously been heard in this country—*Khamma*, a ballet-pantomime, "légende dansée," in three scenes, lasting a total of some 20 minutes.

It was an unlucky work. The once-renowned dancer Maud Allan (rival to Isadora Duncan) paid Debussy generously for music to accompany a ballet scenario of her own devising (it was adapted from an old Egyptian story, and the then *literary* editor of the Daily Telegraph, W. L. Courtney, lent a *helping* hand). Debussy produced a piano version with enthusiasm, and scored the prelude with what he considered special success. But he was diverted from finishing the orchestration — Charles Koechlin completed it under the composer's supervision. Then the commissioning dancer decided that the work had to be virtually twice its length, and Debussy refused to comply. Maud Allan never in the event performed *Khamma*. The score was first heard in Paris in 1924 (11 years after its completion), *and the ballet first staged only* in 1947, in Paris.

In Wednesday's account, *excellently guided by Tortelier* and full of crisp instrumental contributions, the ballet-music certainly sounded attractive and novel. The prelude is a marvellously translucent rumbling *affair. There are neatly inset* trumpet fanfares which allude in their bitonality to *Petrushka* (as do other details of the score). The orchestral piano is frequently and fetchingly prominent; sometimes one half-expects it to break into a boogie, and bring the work into the realm of Bernstein. The thematic development throughout the 20 minutes is of great refinement but has a base of solidity and vigour.

Nevertheless, *Khamma* does not compel attention in the startling manner of Debussy's second ballet, *Jeux*, begun shortly after work on the first was broken off, nor even in the seductive way of his third ballet, *La boite à joujoux* (1913), a score heard in the concert hall hardly more often than *Khamma* though recently given under Rozhdestvensky's baton at the Barbican. There was a certain inconsequentiality about the première on Wednesday. But *Khamma* urgently needs airings. How can 20 minutes of mature Debussy ever have been neglected?

The programme — all of whose items were performed with stimulating precision — began with Dukas' proto-impressionist tone poem *La Péri*, and featured a consummate solo performance by Felix Schmidt in Dutilleux's cello concerto *(1970) known* as *Tout un Monde Lointain*.

Hungarian State SO/Barbican Hall

Dominic Gill

The Hungarian State Symphony Orchestra last toured Britain four years ago with Erwin Lukacs; on Wednesday they returned to play under the baton of the young Hungarian conductor Ivan Fischer—since Janos Ferencsik vacated the post in 1984, the orchestra has been without a permanent general music director.

They are a solid, responsive band. Their *Meistersinger* overture was broad and lush, but restrained: the manner, like the instrumental sonority, is not given to excessive ostentation. The soloist in Bartok's violin concerto next was the 26-year-old Vilmos Szabadi. There were some misjudgements, mostly of tempi (Szabadi came out of the first-movement cadenza like a bat out of hell, about three times as fast as makes sense, and was almost forced to his knees by the music until he found the tempo again). But it was all the same a performance of uncommon verve and brilliance, beautifully *tuned, strong and confident*, even not yet fully matured.

After the interval the Hungarian orchestra gave a Brahms first symphony that was again broad and solid, and unindulgent — this last a quality which one was often grateful for (generally, in the cogent, unfussy progression of the music) and occasionally disappointed by (a *few* key moments of tension were rather baldly passed over, and some crucial expressive details ignored). But it was in general a very workable and pleasing account: I like Fischer's excitable, nervous way with the finale. The fastest tempi didn't quite come off, but there were seeds here of an interesting and original approach.

Arts Guide

Mar 14-Mar 20

Continued from Page 20

tistic creativity with architects like Wagner, musicians like Mahler and Schoenberg, thinkers like Freud and painters like Klimt, Schiele, Kokschka and the Secession Movement. Some 2000 exhibits bear witness to Vienna's contribution to modernity. Beaubourg-Centre Georges Pompidou. Closed Tue. Ends May 5. (4277 1233).

From Rembrandt to Vermeer. 60 chefs d'oeuvres on loan from the Mauritshuis trace a panorama of 17th-century Dutch painting with Vermeer's View of Delft with genre paintings, still lives and landscapes. Grand Palais. Ends June 30. (4261 5410).

Diego Giacometti: first exhibition showing the works of a sculptor-creator of furniture, mostly in bronze with animal ornamentation. Musée des Arts Decoratifs, 107 Rue de Rivoli. *Ends Apr 13 (4260 3214).*

WEST GERMANY

Hanover, Sprengel Museum Kurt Schwitters Platz: Kurt Schwitters (1887-1948). This comprehensive show, collected by the Museum of Modern Art, New York, includes as well works from his Hanover period (1923). There are 300 paintings, drawings assemblages, collages and sculptures. Ends Apr 20.

Stuttgart, Staatsgalerie, Konrad-Adenauer-Str. 30-32: German Art of the 20th century. This is the same exhibition as was shown at the Royal Academy in London last year. It is made up of 300 works from 1905-85 by 50 artists. Ends Apr 20.

Hamburg, Kunsthalle, Glockengiesserwall 1. Oskar Kokoschka: The Early Years. To honour the famous German impressionist on the 100th anniversary of his birth, Hamburg is showing an exhibition of works by the artist not seen in Germany before: 85 paintings and aquarelles covering the period from 1905-24. The exhibition includes his famous picture Die Windsbraut, which was seized by the Nazis for being "decadent."

Hamburg, Museum für Kunst und Gewerbe. Steintorplatz 1: Also to honour *Kokoschka, this museum is* showing his complete works for the theatre. The 250 items cover costumes and set designs. Ends Apr 27.

SPAIN

Madrid: Modern masters from the Thyssen-Bornemisza collection gathers 114 works from French Impressionism to North American abstracts: Cézanne, Gauguin, Manet, Monet, Toulouse-Lautrec, Degas, Renoir, Pissarro, Sisley, Van Gogh, Picasso, Juan Gris, Braque, Leger, Bonnard, Chagall, Kokoschka, Kandinsky, Rothko, De Kooning, Bacon, etc. Sala Picasso, Biblioteca Nacional, Paseo de Recoletos 20. Ends Apr 6.

Madrid, "Celtic Vision": Show of contemporary artists of Celtic origins who are engaged in creating a Celtic movement and who come from Britanny, Ireland, Wales, Scotland, Spain and Isle of Man. For the first time in Europe. Centro Cultural Conde Duque, Conde Duque 11. (241 5224).

Madrid, "Max Ernst": A vast retrospective of master of surrealism on show for the first time in Spain gathers 125 works of his early Dada, frottages, collages and later stages: surrealist works up to his death. On loan by the Moma, Centre Pompidou, Guggenheim and Menil centres in Europe and the States, offers the fullest study we have yet had of the work of one of the most relevant artists of this century. Fundacion March, Castello 77. Feb 28 to April 27.

NEW YORK

Metropolitan Museum: Liechtenstein, the Princely Collection, one of the greatest private collections in Europe, shows a variety of the holdings, like a French Rococo carriage, firearms, sculpture and a hundred paintings, including 19 Rubens, five Van Dycks, and eight Franceschinis. Ends May 1.

Asia Society: More than 75 sculptures illustrate the five-century long era of the Kushan dynasty in India, when Greek and Buddhist influences were first evident in the country's art. Ends April 6.

Museum of Modern Art: In the centenary of his birth, the museum mounts the largest show ever devoted to the architecture, design and furniture of Mies van der Rohe with 300 drawings, eight models and a full-scale rendering of the chrome-plated steel column from the 1929 Barcelona Exposition. Ends Apr 15.

New York Public Library: Tales of Japan, based on the little-known but extensive library holdings in Japanese art, presents 130 scrolls, albums and prints covering eight centuries of Japanese popular and religious works. Ends Mar 25.

BRUSSELS

Toulouse Lautrec – paintings, drawings and lithographs. Crédit Commununal. Ends Apr 13.

ITALY

Venice: Museo Correr: 127 drawings from the rich collection owned by the museum, from the 15th to the mid-19th centuries, includes Guardi, Canova, Canaletto, and Tiepolo, as well as lesser-known artists. Ends April 17.

Venice: Palazzo Fortuny: two photographic exhibitions on 19th century Venice: Venice as seen by 19th century photographers and Daguerrotypes from the Ruskin collection. This is the first time that material Ruskin collected in Venice between 1845 and 1856, which comes from the Ruskin Gallery in the Isle of Wight and the Coniston Museum, has had a worthwhile exhibition. Also included are 16 photographs of Verona and several of Florence, Siena, Lucca and the Alps. Ends March 30.

Florence, Museo Nazionale del Bargello: Homage to Donatello: to celebrate the 6th centenary of his birth the 19 Donatellos the museum owns, of which only six are of absolutely certain attribution, have been grouped, with much documentation, to give a new view of the artist. The exhibition includes his extraordinary, languid bronze David. Ends May 30.

Rome, Museo di Palazzo Venezia (via del Plebiscito entrance): Fausto Pirandello (1921/1975): 150 works by the son of the playwright Luigi Pirandello. Particularly interesting are the series of pencil self-portraits from 1921 and the later group of curiously foreshortened nudes. A remarkable artist, but one whose works convey a sense of intolerable and unresolved anguish. Ends Mar 23.

NETHERLANDS

Haarlem, Teylers Museum: Survey of French 18th-century graphic art illustrating the new processes developed to capture painterly effects in etchings and engravings and meet the demand reproduction prints. Ends Apr 6.

WASHINGTON

Hirshhorn: The eight contemporary American artists in the Directions series include a light installation made for the show by James Turrell and major pieces by Frank Stella and Robert Morris. Ends Mar 30.

National Gallery: The 150th anniversary of Winslow Homer's birth is commemorated in an exhibit of 100 watercolours of rustic scenes and rural life, which show Homer's experimentation in watercolours before he attempted subjects in oils. West Building. Ends May 11.

CHICAGO

Art Institute: The 75th American Exhibition chronicles the current scene in American art represented by 20 artists including Jennifer Bartlett, Roger Brown, Frank Stella and Ed Paschke. Ends April 27.

TOKYO

Masterpieces of 19th-century German paintings from the National Gallery in Berlin: 64 works by artists including Casper David Friedrich and Wilhelm Leibl. Especially popular in Japan is Carl Spitzweg for his depictions of *petit bourgeois* German life of the early 19th century. National Museum of Modern Art, Kitanomaru Park, near Takebashi Station and the Moat around the Imperial Palace. Ends Mar 23. Closed Mon.

Ukiyo-e: A seasonal exhibition mainly by Hiroshige of landscapes depicting cherry-blossom viewing areas in old Tokyo of a few centuries ago. Ohta Memorial Museum in Harajuku, just off Omotesando Avenue. An interesting Sunday itinerary would also include viewing the "Bamboo-shoot" street dancers, a visit to the nearby Meiji Shrine and refreshment taken at any of Omotesando's elegant cafes. Ohta Memorial Museum. Closed Mon. Ends Mar 23.

Noh Costumes and Kyogen Masks: 20 beautiful costumes from the Edo period (17th-19th century) and Kyogen masks from original 14th century era of consolidation of Noh into its present form. Okura Museum in front of Hotel Okura. Ends Apr 20. Closed Mon.

Saleroom/Antony Thorncroft

Ripon bagged at £48,400

The game books of Lord Ripon, the greatest shot of the golden age of the shooting party in the late 19th and early 20th centuries, sold for £48,400 to a private English collector in an evening sale at Sotheby's Billingshurst auction rooms on Wednesday. Apart from listing Ripon's bags it is decorated with sketches of his shooting companions and their ladies by the man who once had seven pheasants dead in the air at the same time. One of Lord Ripon's Purdey hammer guns made £6,600.

A group of 70 drawings and watercolours in an album once owned by Queen Victoria went for £138,325 at Sotheby's yesterday. The London dealer Fritz-Durville paid £18,700 for a portrait of Victoria's son, Prince Arthur, painted by Winterhalter: he is portrayed as King Henry VIII as a child. Another London dealer, Mackinnin, gave £15,400 for a watercolour by Eugene Lami of "The translation of the ashes of Napoleon in December 1840."

The top price, in an auction of British watercolours which totalled £402,083 with 12 per cent unsold, was the £55,000 which secured the best view of Paris by Thomas Shotter Boys *to come* on to the market. It shows the river from the Pont Royal and the price was an auction record for the artist.

A rare figure of a falconer by the greatest of the Japanese ivory carvers and one of the founders of the Tokyo School, Ishikawa Komei, realised £20,900 at a Sotheby's auction of Japanese works of art. It was a record price for such an ivory and was bought by the Japanese dealer Fujikura. The money will go to the charity Aid to the Church in Need. The auction totalled £417,175 with 7.34 per cent unsold. A pair of late 17th Kakiemon bottles made £15,400 as did a jar, 10½ inches high, of the same period.

A tile panel made by Morris and Company to the designs of *Burne-Jones and Philip* Webb for the artist Myles Birkett Foster was bought at Phillip's yesterday for £12,100 by the Fine Art Society. A Chiparus lamp shaped like a dancer made £8,800.

At Christie's on March 25 the orders, medals, decorations and gifts conferred on Sir Henry Morton Stanley, best known for his meeting with Livingstone, come under the hammer. They should amass £75,000.

Sold by his grandson, they include a gold and encrusted *oval snuff box given to Stanley* by Queen Victoria and a presentation jewel bearing a miniature of the Queen,

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Friday March 14 1986

President and parliament

THE IMPORTANCE of next Sunday's parliamentary election in France can hardly be exaggerated. Not only is the result likely to bring to an end the first Socialist administration of the 28-year-old Fifth Republic, but it will provide the severest test so far of the solidity of the constitution devised by General de Gaulle to rid the country of unstable government.

If that constitution has worked so well since it was implemented, it is due mainly to the fact that the supremacy of the President, enshrined in the first instance in the towering personality of de Gaulle himself, has never been undermined by a hostile parliament. At all times, French Presidents since 1958 have been able to count on the support of a more or less docile parliamentary majority and governments led by Prime Ministers of their personal choice.

The situation will be very different after next Sunday, if the public opinion polls are to be believed. The relevant question to ask is no longer who will win the election — it has long been assumed that Mr Jacques Chirac's neo-Gaullists and the centre-right parties will have a combined majority — but how large the margin of victory will be.

Alternatives

On that margin will depend the room for manoeuvre that President Francois Mitterrand, whose own term of office does not expire until 1988, will have in nominating the Prime Minister and implementing his personal policies. If the overall majority of the centre-right is small and the Socialists remain the biggest single party in the National Assembly, Mr Mitterrand, whose subtle political skills have earned him the nickname of "the Florentine," can still remain master of the chessboard.

If, on the other hand, the election produces a substantial conservative parliamentary majority dominated by the neo-Gaullist RPR party — as many of the polls have suggested over the past few months — then the President will be faced with two equally unpleasant alternatives. He will either have to appoint a Prime Minister like Mr Chirac, with whose policies and personality he is at odds, or he will have to resign, given his declaration that he will not be a "cut-price" President.

The spectre of resignation has been raised by Mr Mitterrand in the closing stages of the election campaign, probably as an eleventh-hour attempt to rally the large number of undecided voters to the Socialist camp.

Resignation, however, cannot be discounted as an effective weapon in the hazardous and lengthy political battle which will begin next Sunday and end with the next Presidential election in the spring of 1988. Mr Mitterrand could dissolve the new National Assembly and resign himself, in the hope that the subsequent joint Presidential and parliamentary elections would produce a more favourable result for him.

Whatever the outcome of Sunday's election, President Mitterrand would do well to bear in mind the damage that could be caused both to the economy and the democratic system itself by a prolonged and bitter conflict between the Presidency and a new conservative Prime Minister and government.

Turnaround

After their initial mistakes the Socialists—helped, it is true, by a weakening dollar and falling oil prices—have succeeded in achieving an impressive turnaround in the economy. The French political establishment should be careful not to nullify those achievements by creating the kind of political instability which would undermine international confidence in the economy.

Nor would it do France's international image any good if a democratically elected parliamentary majority were to be prevented from implementing the programme supported by the voters. The privatisation of some 30 banks, insurance companies and industrial groups may be a biter bpill to sla may be a bitter pill to swallow for a President responsible for nationalising most of them. But the whole trend lately in France, even under the Socialists, has been towards a greater liberalisation of the economy. Ideological differences between right and left on economic issues are no longer as sharp as they were.

An accommodation between a Socialist President, particularly one as un-doctrinaire as Mr Mitterrand, and a conservative-led government may not therefore be as much of a pipe-dream as is sometimes thought. It would demonstrate both a greater sense of economic realities and the maturity of the mixed presidential-parliamentary system of the Fifth Republic.

Mr Lawson's tax options

Mr Nigel Lawson must be tempted to cast himself in his old role of "tax reforming" Chancellor when he delivers the British Budget next Tuesday. Plunging oil revenues have narrowed his other options and obliged the Treasury to stress the radicalism of his tax plans in pre-Budget presentations to Cabinet.

Outside Great George Street, speculation on personal tax reform has had three main targets this year: the Green Paper on matrimonial taxation; the possibility of a more generous tax regime for charities; and a lower band of income tax, say, 25 per cent on the first £1,500 of taxable income.

Mr Lawson delights in surprises and so could have something more ambitious up his sleeve than these relatively tame options. But this seems unlikely; indeed both the charity lobby and those in favour of a lower rate band could end up disappointed on Tuesday. The Chancellor could opt for a simple, tidy Budget and try to concentrate attention on the prospect of higher employment and lower inflation in the wake of the 50 per cent drop in oil prices.

Tidiness would certainly rule out a reduced rate band of income tax. Mr Lawson's predecessor, Sir Geoffrey Howe, abolished it in 1979 because he was striving to simplify the tax code: he was wisely not impressed by the fact that many other countries indulge in a plethora of different rate bands. A lower rate band may seem caring but would actually do less for the lowest paid than the same money spent on higher thresholds. Both equity and efficiency considerations suggest the Chancellor should concentrate on raising the floor of taxation.

Allowances

The taxation of charities and the arts poses difficult dilemmas. State subsidy is in many ways a less attractive form of finance than personal corporate donations: besides being more bureaucratic and less flexible, it is likely to be less imaginative and varied. Individual and corporate donations would get a huge boost if they became straightforwardly tax-deductible. But the cost would be a dangerous move away from fiscal neutrality. Tax concessions nearly always have an apparently sound initial justification but they tend to multiply uncontrollably and ensure that average tax rates elsewhere are higher.

The Green Paper is expected to argue that every adult, regardless of sex or circumstances, should have the same, standard personal tax allowance. This seems highly desirable: the phasing out of the enhanced married man's allowance (MMA) is long overdue and essential if the blatant sex discrimination in the present code is to be removed.

Discrimination

Much less logical, however, is the proposed second leg of the Green Paper: the idea that the new and equal allowances should be transferable—but only between husband and wife. The plan seems to run quite counter to the philosophy behind the Government's social security reforms, which is that relief should be carefully targetted on genuine need. Under Mr Lawson's scheme, every married man, regardless of circumstances, would have potential access to two standard allowances: much of the revenue raised by phasing out the MMA would be thrown away in arbitrary concessions—for example, to well-off couples in which the wife chooses to stay at home.

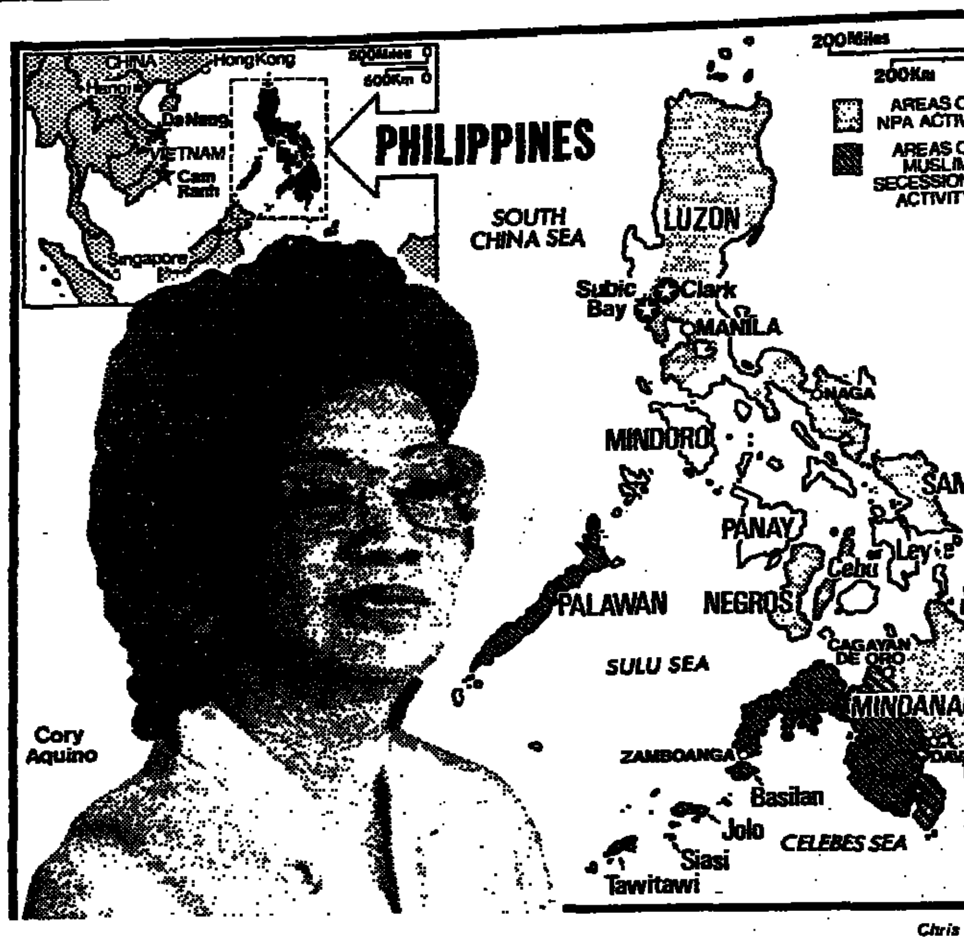
The simpler alternative Mr Lawson appears to have overlooked is equal but non-transferable allowances. This would avoid explicit fiscal discrimination in favour of marriage. All the money released by running down the MMA could be phased on, through the social security system, to households (whatever their marital status) with special needs: for example, those supporting children or elderly people.

Transferability of allowances would be expensive and complex. Mr Lawson should save his energy, and money, for more important reforms of the tax base. The real distortions lie in special interest concessions like mortgage interest relief.

THE PHILIPPINES' INTERNAL SECURITY

Aquino back in the front line

By Alain Cass in Manila



Cory Aquino

Chris Walker

THERE are no pictures of President Corazon Aquino in Buringol, a gold mining settlement perched high on a remote mountain range in Eastern Mindanao, the rebellious island in the southern Philippines. Nor are there any pictures of former President Ferdinand Marcos. In fact few of the 8,000 miners and their families bothered to vote in the presidential election last month. They had other preoccupations.

Beyond the boundaries of the settlement, with its bright blue awnings which provide shelter from torrential tropical downpours, is dense jungle, sanctuary to guerrillas of the 18,000-strong Communist New People's Army and fighters of Mindanao's biggest Moslem separatist group, the Moro National Liberation Front. Between them they have driven the Philippines to the brink of chaos over the past 15 years.

Buringol, with its 305 shafts producing $250,000 worth of gold a day is protected by a company of the Philippine army's elite counter-insurgency force, the Scout Rangers. When the roads are impassable, which is much of the time, Sikorsky helicopter gunships take time off from combat missions to ferry food over the misty peaks.

Until a year ago, the settlement was occupied by the NPA which exacted "revolutionary taxes" and dispensed summary justice, burying their victims in mass graves. Before that the Moslem separatists were in charge. Buringol is the front line in the battle against insurgency.

Mrs Aquino faces several formidable political challenges if she is to bring stability and economic recovery to the Philippines. Keeping her fragile and fractious coalition together is one. United largely by its hatred of Mr Marcos and of what he stood for, but divided in its perception of some major issues, the coalition is already showing signs of strain. Neutralising the army of Marcos loyalists in the provinces is another challenge. Just under half the country, even by her own count, voted against Mrs Aquino. But no issue is as important as tackling the insurgency.

Mrs Aquino's ability to stem the 15-year-old Communist rebellion could determine whether she continues to receive the support of the US which became alarmed as the NPA doubled its strength in the two years before the fall of Mr Marcos and began making contingency plans to move its two big military bases to the Pacific. It will also play a key role in tempting back foreign investors who left the country in droves over the past two years.

Equally important is the new President's ability to negotiate a settlement with the Arab-backed Moslem separatists who, in the early 1970s fought a war in Mindanao and nearby islands in which 40,000 to 60,000 Filipinos died. There are 4.5m Moslems in the Philippines out of a total population of 55m and most support strong local autonomy at the very least.

Mrs Aquino has decided to capitalise on her moral and political authority and tackle both problems quickly. Earlier this month, despite strenuous objections from her senior military advisers, she ordered the release of the country's top Communist leaders, and restored civil rights. She also offered the NPA a ceasefire and an amnesty to guerrillas. Unconfirmed reports yesterday said some NPA units had said they would observe a provisional ceasefire.

She has also invited the exiled leaders of the three Moslem groups for talks. The move follows a pledge, during her election campaign, to "respect and substantiate" their aspirations for autonomy within the limits of the country's security and integrity.

The NPA, which grew out of the Huck rebellion of the 1940s and early 1950s, has become the most powerful and fastest developing Communist insurgency outside Central America. Led by a 37-year-old former engineering student who calls himself Commander Bulog it now operates in at least 59 of the country's 73 provinces including those close to Subic Bay Naval Base and Clarke Air Base, America's biggest overseas military installations.

Last year it caused the deaths of over 5,000 civilians and soldiers, most of them in Mindanao, which has become the nemesis of the armed forces. Originally Maoist, the NPA has recently turned to Moscow for support. The NPA is the military arm of the Communist Party of the Philippines which, with its more respectable partner, the National Democratic Front, commands a mass base of over 1m people.

At the heart of Mrs Aquino's gamble to release the party's former leaders last week, including its founder and chairman Mr Jose Maria Sison, is the belief that the best way to eliminate the insurgency is to remove the grievances it feeds on. The first, Mr Marcos, is gone. The second, the release of detainees and restoration of civil rights, has been achieved. The last two — economic recovery and the end of abuses by the military and local political bosses—represent Mrs Aquino's main challenges in the years ahead.

Of these Mrs Aquino's advisers believe economic recovery holds the key to defeating the insurgents. "Get that right," said a senior army officer in Davao city, heartland of the rebellion, "and everything will flow from there."

Agdao, a suburb of Davoa city, where 250,000 live a miserable existence with 75 per cent unemployment, leaky roofs and primitive sanitation, would tend to suport this argument. It is prime recruiting territory for the NPA whose slogans are daubed in red on many walls. Since the election the authorities say that things have been quiet in the slums, mirroring a drop in NPA activity throughout the country.

"People are expecting dramatic changes — industries, investment, jobs," said a local priest. "But Agdoa is also a measure of the challenge facing Mrs Aquino. The expectations raised by her victory could turn to bitter disillusion if the impact of economic recovery is not felt within the foreseeable future. "The new-found power of the people could be turned against the government if they are disappointed," he added. Mrs Aquino's problem is that nobody will invest in places like Agdao until the insurgency is over, and that may not happen unless there is an economic transformation. The only solution may be massive economic aid from the US.

> Mrs Aquino's dismantling of the apparatus of repression will weaken the Communists politically

One of the notable differences between the mood in Manila and the provinces is the absence in the latter of the giddy euphoria which still lingers in the capital. People in the provinces tend to be more hard-headed. And so, argue many critics of Mrs Aquino's policy towards the NPA, are the Communists. While some senior officers engaged in fighting the NPA agree that a few may lay down their arms in response to her moves and more when new economic policies begin to take effect, there is considerable disagreement about how many.

The argument hinges on how many members of the NPA are hard-core ideologues and how many are what one major-general in Western Mindanao described as "kids without jobs, or a grievance or with nothing better to do who are fed up with life on the run." Mrs Aquino's supporters say the hard-core consists of no more than 30 per cent. Most generals put it much higher.

Mrs Aquino's swift dismantling of the apparatus of repression will weaken the Communists politically. The NPA leadership in the provinces concedes that her enormous popularity may even halt their recruitment drive for a while.

But Mr Marcos and his human rights abuses were not the only recruiting sergeants for the NPA. The movement's demands for the removal of the US bases enjoys growing support especially among university students. Many Filipinos have mixed feelings about the closeness of their relationship with the former colonial power. On the one hand, America is seen as the great provider. On the other as an obstacle to full maturity and independence. Now that Mr Marcos has gone, the Communists are likely to turn the bases into their prime political target and Mrs Aquino may find that "people power," once unleashed, is not that easy to channel.

The movement's other demands will also bring it into direct conflict with the forces which brought Mrs Aquino to power. These include wholesale land reform, the expulsion of multi-nationals, nationalisation and the removal of the "Marcos dictatorship" still in place. This refers to Mr Juan Ponce Enrile, the Minister of Defence and General Fidel Ramos, the now immensely popular Chief of Staff who led the rebellion against Mr Marcos. Mr Enrile, for one, firmly believes that a political setback will only encourage the NPA to intensify its military effort.

Said one Communist Party member in Davao as he emerged from two years' detention during which he was brutally tortured: "The problem now is not how to negotiate but how to reorganise. This is only the beginning of full democracy. The struggle will go on."

From the other side, a similar point of view can be heard: "Show me one example where Communists have surrendered to democracy," says a colonel in Eastern Mindanao who has 13 years experience of fighting insurgents.

Tackling the Moslem secessionists presents a different set of problems for Mrs Aquino, but the task may prove no less complex. The three factions fighting in Mindanao and the predominantly Moslem islands of the Sulu Sea are split. The most powerful, the MNLF, wants complete secession. The other two, the Moro Islamic Liberation Front (MILF) and the smaller Bangsa Moro Liberation Front would settle for autonomy.

All three receive support from the Arab world—Libya and Iran in particular—and, though less numerous than the NPA, are better armed and supplied, according to the army.

They draw their support from north and west Mindanao and the islands of the southern archipelao such as Jolo, which was razed in the 1970s' war. Filipino Moslems are predominantly Sunnis and relatively permissive. But, in recent years fundamentalism has crept into some areas such as Marawi, in north Mindanao, where the sound of the Muezzin calling the faithful to prayer and the absence of alcohol gives the town a distinctly Arab flavour.

Mrs Aquino's government is likely to use the Tripoli agreement, negotiated in 1976 to end the war, as its starting point. It provisionally agreed to autonomy in 13 southern provinces and allowed them their own legislative authority, a judicial system based on the Sharia laws, the right to raise local taxes, and a local security force.

The agreement, which was never implemented, was supported by Mr Benigno Aquino, the late husband of President Aquino. After his assassination in 1983, his brother, Mr Agapito Aquito became the opposition's unofficial conduit to the Moslems, whose leaders are based in the Malaysian state of Sabah with 200,000 supporters.

Leaders of the two moderate factions arrived in Manila this week to begin talks. Mr Nur Misuari, leader of the MNLF, has so far refused to come although Mr Aquino is confident that he can be persuadad. The Moslem League, which is based in Saudi Arabia, is applying pressure on the MNLF to negotiate.

But even if talks get under way, two major problems lie in the way of an agreement. The first is that the three groups are divided. The secessionist leaders are feudal and run their fiefs like medieval warlords. Mr Aquino will have to mediate a common set of demands between them before they can present a package to the government.

The major question is whether the MNLF would settle for autonomy.

The second problem is that most Moslem areas have large minorities of Christians whose interests would have to be safeguarded. Autonomy would, by definition, require power-sharing which could provoke its own crisis.

Mr Marcos encouraged the formation of private armies to fight the Communists and these could be turned against the Moslems if the Christians felt threatened by Moslem power.

Mrs Aquino's government is keen to solve the problem and the impetus for an agreement is there. But the attempt could fall at any number of hurdles, not least the demand for an official Moslem army, in which case nobody is in any doubt that the war for secession would flare up again with a vengeance.

Mrs Aquino's extraordinary rise from grieving widow to President has invested her with an almost santly quality in the eyes of many Filipinos. She represents renewed hope in their country's future and rediscovered pride in its decent values. Her word is law—at least for the time being. But whether she can demonstrate the skills and resilience needed to solve problems which have festered for nearly two decades is another question.

Men and Matters

New generals for bid battle

GEC and Plessey, the electronics rivals, have been making good use of the six months delay resulting from the reference to the Monopolies Commission of GEC's £1.2bn bid.

Both sides have signed up leading public relations consultants to strengthen their efforts to win the battle for the minds of politicians and the City.

Plessey is employing Sir Gordon Reece, aged 53, best-known as Mrs Thatcher's former media consultant, and recently the publicity director for Conservative Central Office. He will be special adviser to the Plessey chairman Sir John Clark.

After five years as vice-president for public affairs for Dr Armand Hammer's Occidental Petroleum Sir Gordon has recently been taking a close interest in City developments, advising Westland in the struggle between the European and US consortia, and Ernest Saunders, chairman of Guinness, in its successful bid for Arthur Bell.

Sir Gordon's political contacts will prove a useful adjunct to the Whitehall experience of Sir James Blyth, the former head of overseas sales at the defence ministry who became Plessey's md last month.

Over at GEC Sir Arnold Weinstock has called in Philip Connelly, aged 42, a former senior public affairs adviser at BP, to be his first-ever director of corporate communications. Connelly was actually approached before the bid.

Just three weeks into his new job he is still getting to know the company before starting on a campaign to woo the Government, Parliament, the City, and the media.

"To any public affairs man this is a major assignment and a major challenge," he says. After 16 years at BP Connelly spent two years on secondment as deputy head of the CBI's regional directorate before setting up as a freelance consultant.

Connelly's arrival has led to GEC putting on ice plans to employ a firm of external PR consultants during the bid. Three agencies, Valin Pollen, Shandwick, and Dewe Rogerson, are short-listed. But Connelly has yet to decide whether their services will be necessary.

Plessey moved fast after GEC's bid was announced in December by calling in a permanent four-strong team from Charles Barker Lyons to advise on PR.

"Did the captain say they're waiting for permission to take off or sell off?"

Bradford's man

Professor John West says that a university, when looking for a chancellor, has to decide whether it wants a figurehead or a worker. And then choose between three basic sources of supply—a "Royal," a politician, or an industrialist.

A worker from the ranks of Britain's industrialists has been the choice of Bradford university where West is vice-Chancellor.

Sir John Harvey-Jones, who retires from the chairmanship of ICI next year, will be installed as the Bradford chancellor today.

His will be a "hands-on" chancellorship and we can expect to hear a lot more about the institution—one of those created out of ten colleges of advanced technology in the 1960s.

Sir John succeeds Lord Wilson of Rievaulx who has done the job for 19 years, five of them as prime minister. One of Lord Wilson's achievements was to persuade Gromyko to let Bradford link with the university of Leningrad and start a student exchange scheme.

Bradford's centres of excellence are in management, technology, and languages. Sir John will be able to look his professors squarely in the eye in all three disciplines. He is fluent in German, French, Spanish, and Russian. His Russian was perfected while he was naval attache at the British embassy in Moscow shortly after the war.

Sir John has been a popular choice on the campus.

A student poll voted six-to-one in his favour, crushing opposition from those opposed to animal experiments at ICI and the company's ties with South Africa.

Gummed up

Trading with Nigeria has become a tricky business.

The country has run so short of hard currency that it is paying bills with a wide range of commodities in counter-trade deals.

Nevertheless, a British engineering consultancy company, owed just £30,000, was startled by an offer to settle the debt in cocoa, butter, ginger and gum arabic.

"I'd never even heard of gum arabic. What do people do with it," says an executive. "Still they're giving us a good discount on the market price."

Hanson aid

Hanson Trust, the conglomerate currently bidding for Imperial Group, is better known for swallowing up other industrial companies than for forging friendly links with them. And that makes it particularly intriguing that a Hanson board member, Martin Taylor, has just been appointed a non-executive director at Vickers, the engineering group which numbers Rolls-Royce cars among its products.

Lord Hanson, chairman of the company, is a director of Lloyds Bank (where ironically a fellow board member is Geoffrey Kent, chairman of Imperial). Derek Rosling, Hanson's vice-chairman, is on the board of Platignum, the pen company.

Apart from those jobs, Taylor's appointment is thought to be the first of a Hanson director to another industrial company.

Why Vickers? "First of all, we were asked," says Taylor. Second, he appreciates the success of Sir David Plastow, Vickers' chief executive, who has been carrying out a major reorganisation of the group, leading to a substantial re-rating of its shares.

Taylor, 51, has been on the Hanson board for the past 10 years, and is largely involved in helping formulate group strategy in general, and take-over tactics in particular.

He is also responsible for Hanson's property interests and is its main press spokesman. After reading law and economics at Cambridge, he qualified as an accountant and worked for Dow Chemical before joining Hanson in 1969, when it was relatively small, and its explosive growth as yet a gleam in Lord Hanson's eye.

Budget omen

A reader tells me that, while he has no wish to dash hopes before next week's Budget, he had a shock yesterday when he realised that Nigel Lawson is an anagram of "Swinge on all."

Observer

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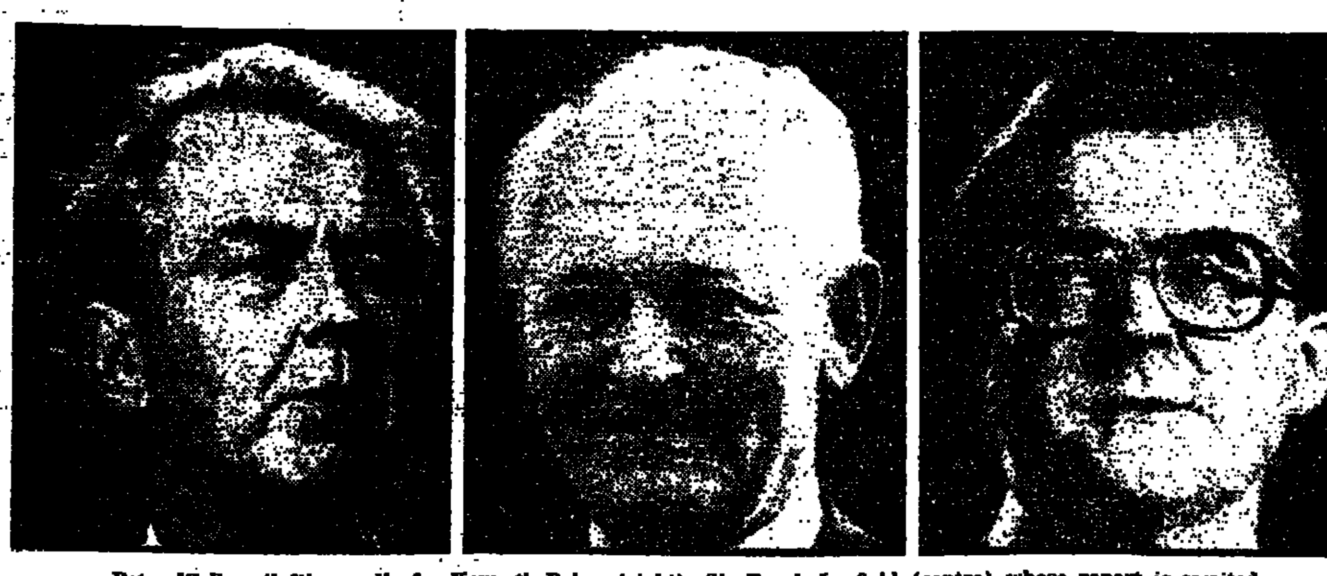
POLITICS TODAY



Peter Walker (left), an ally for Kenneth Baker (right); Sir Frank Layfield (centre) whose report is awaited

Britain: ready to get off the nuclear fence

By Malcolm Rutherford

ON THE FACE of it, this has been a discouraging week for the nuclear industry and a British Government in search of an energy policy for about the year 2000, when the oil runs out.

The House of Commons Select Committee on the Environment has criticised in raucous terms the nuclear reprocessing plant at Sellafield for its record of frequent leaks of radioactive material. And Mr Peter Welker, the Energy Secretary, announced yesterday that the report of Sir Frank Layfield, QC, on whether there should be a pressurised water reactor at Sizewell in Suffolk has been postponed yet again.

It begins to look as if the pursuit of civil nuclear power is not worth the trouble involved. Appearances, however, can be deceptive and beneath the surface a lot is going on. Two sets of questions have arisen over the years. One concerns the nature of public inquiries in general. The other concerns how Britain can move to a new generation of trouble-free reactors.

The Sizewell story tells a lot about present frustrations. It was the longest public inquiry in British history, lasting 340 days, and the transcripts are said to amount to the equivalent of 24 copies of War and Peace. Sir Frank was due to produce his report last September, postponed it until this spring and is now promising delivery in September this year — all 110 chapters of it.

No one in authority seems to be criticising Sir Frank for the delays. Indeed, everyone seems to be paying tribute to the quality of the mind he is applying to the report. Ministers say that it will be a Rolls-Royce product when it comes.

Sir Frank himself says that, while he has strong views about the conduct and nature of public inquiries, he cannot possibly give them until his report has been published.

What everyone seems to agree is that we cannot go on like this: deferring decisions for years until the report on a public inquiry is completed.

There had been some advance warnings. The inquiry into the third London airport is frequently cited as an example of unnecessary hold-ups. There was also the inquiry into Windscale, as the Sellafield reprocessing plant used to be called.

Sir Roger Parker, who presided over the Windscale inquiry, said afterwards that in any future public inquiry where a lawyer was in charge, departments of state would do well to consult the lawyer in advance about how long it was likely to take. He went on to describe how, when he was approached about the task, he was told by the department that two weeks would be quite enough.

"I immediately asked the Lord Chief Justice," he said in a lecture, "for leave off all normal judicial work for six weeks and was granted it. That, working very long days, plus another 2½ months in the evenings, was just about enough to enable me to keep abreast. If this essential preparation is not done to begin with, it cannot be done thereafter."

The work goes on late at *night once the inquiry has* begun. It means reading the transcripts, the proofs of the witnesses due the next day and keeping up with all the scientific journals mentioned in reports. Otherwise there is no point in doing the job.

That was only Windscale and reprocessing. The size of Sir Frank's exercise was much bigger. Under the Electricity Act of 1957, any local planning authority objection to the building of a power station — even a windmill, let alone a nuclear plant — obliges the Secretary of State for Energy to hold a public inquiry. These used to be quite short. The inquiry into the application for the Dungeness A power station in Kent in 1958, for example, lasted three days.

What has changed in more recent times are the terms of reference. Public inquiries no longer simply consider local objection to the site. They also study the whole basis of the policy.

Thus the Windscale inquiry was not just about whether reprocessing should take place in that area, but whether there should be reprocessing in Britain of any kind. Similarly, the Sizewell inquiry has really been into whether Britain should have nuclear power.

The terms of reference issued by Mr David Howell when he was Energy Secretary in 1981 are remarkably comprehensive. They covered not only safety and environmental factors and the management of waste, but also the relative merits and costs of an advanced gas-cooled reactor (the British design) and a pressurised water reactor (from America) and to set any recommendations in the context of a long-term energy policy.

Opinions differ slightly among present Ministers about the likely results. Mr Walker at the Energy Department is impatient to get on, and the Prime Minister even more so. Mr Kenneth Baker, the Environment Secretary, however, thinks that while the terms of reference were too wide, Sizewell will turn out to be a generic report. There would be no need for any such inquiry again for years. Future inquiries would be confined to the suitability of the chosen site and listening to local objections.

Mr Baker has partly cleared the way for this by announcing that there will be a conventional public inquiry into eventual applications for a new site for the disposal of low and intermediate-level nuclear wastes, a subject that is exciting MPs in *case it may be in their constituencies.* Mr Michael Brown, the Conservative Member for Brigg and Cleethorpes, has threatened a "guerrilla war" and to apply for the Chiltern Hundreds, should it be in his part of Lincolnshire, and Mr John Wakeham, the Government Chief Whip, has been unusually restless over suggestions that it might be around his constituency of Colchester South and Maldon.

Yet it can be seen in retrospect, that when Mr Baker made his statement to the House of Commons about possible sites on February 25, he was preparing to get the Government's nuclear energy policy back on track. There will be inquiries about sites, yes, but none of the hold-ups of the past.

The Government is on the whole dismissive of the Select Committee's report on waste, pointing out quite accurately that its bark is rather worse than its bite and that it does not actually come to many firm conclusions. If anything, the report will be used as a call for the modernisation of the nuclear industry to go on apace.

Select committees, like the Sizewell inquiry, are not entirely *in* favour with the government, but they can be *used* to advantage, and that seems to be the intention.

It is also noted that nuclear power divides the Labour Party. Dr John Cunningham, the Shadow Environment Secretary who has Sellafield in his constituency, is a supporter. The miners are naturally against. The issue could also divide the SDP-Liberal Alliance, with the Social Democrats going more for a technological future and economic growth and the Liberals falling back on environmental arguments.

Yet there is rather more to it than party politics and there is basically no reason why nuclear power should be automatically either a right- or a left-wing cause. The only question is whether it works efficiently, economically and safely.

What seems to be happening is a dawning realisation that Britain, as the first nuclear power, has been dithering too long about what to do next while other countries have been going ahead. Mr Baker says that if he had not made his statement about nuclear waste on February 25, there would have been a danger of the idea getting round that the country was getting out of the industry altogether. He now thinks that it is possible to begin to go back on the offensive.

In this he will have a close ally in Mr Walker. In a previous incarnation as Secretary of State for Trade and Industry in 1973, Mr Walker was about to authorise the first British pressurised water reactor under licence from the US. Then the miners' strike intervened and the oil crisis and Lord Carrington became Energy Secretary. The latter demurred at the PWR in much the same way as some present politicians resisted the Sikorsky bid for Westland and are resisting the *possible takeover* of parts of British Leyland by General Motors. It looked like selling out to the Americans and giving up on traditional British designs.

Yet, as the French of all people have shown, it is possible to acquire advanced technology from the US and develop it in your own way. The French bought the pressurised water system from Westinghouse and now have perhaps the most successful nuclear industry in the world. An article in this month's Scientific American even says that the organisation of French nuclear policy puts America's to shame.

The British Government wants to do much the same thing. On the assumption that the Layfield report on Sizewell is delivered in September, it is likely that approval for the first pressurised water reactor will go ahead quite quickly.

There will then be suggestions of perhaps four more, each with an increasingly British design. *There will be public inquiries* about the site, but nothing like the Sizewell inquiry because the fundamental work about the merits of the reactor will be regarded as having been done.

As a guess, it might be worth expecting a full statement about the future of British nuclear policy around next January. Some of the selling points are strong. The French have done it and their industrial costs have become lower because of cheaper electricity.

Besides, it will be an answer to the question: what happens when the oil runs out? The answer will be that the Government used the period of North Sea oil to develop nuclear power for the next century. One suspects that all this will become the subject of considerable political debate before the next general election. Certainly the Government hopes to have made its decisions by then.

Lombard

The French rush into paper

By David Marsh in Paris

FRENCH people, as everyone knows, are attached with reckless sentimentallity to hunks of dull yellow metal stashed under beds. If there is any money left over after dabbling in gold, it goes into bricks and mortar, muddy strips of farmland or suitcases bound for Switzerland on the midnight train.

This popular image of French savers hanging on doggedly to the financial mores of the 18th century has been confounded by five years of Socialist rule.

President Francois Mitterrand's arrival in May 1981 was greeted by one of the biggest ever one-day slides on the Paris bourse. Since then, particularly reflecting the final switch in March 1983 towards a firm anti-inflation policy, the Paris stock market, now fed by a new flood of unit trusts and mutual funds, has roughly tripled in value.

Now the right *seems* likely to retake power after Sunday's elections, with an economic programme (denationalisation ending of capital and price controls) partly predicated on keeping the confidence of the financial markets, the question whether this rush into paper will continue is of crucial significance.

First, the doubts. The French economic picture of the last three years — falling inflation, a steady franc against European currencies, recovery in company profits, the deindexation of wages and a slump in strikes, has provided the perfect backdrop for a financial market boom.

The right looks set to reap this year the economic harvest of falling oil prices and the drop in the dollar. But much of the consequences for economic growth of the latest events on oil and currency markets may already have been built into current bourse prices.

Furthermore, the combination of slackened external economic constraint and the return of a right wing government preaching laisser-faire policies may trigger resurgence both of inflationary pressures and of trade union unrest.

The stock market revival since 1981 has also been partly due to particular policies brought in by the Socialists. Nationalisation, which stripped the bourse of some of its leading stocks along with toughening of exchange controls tended to create a structural shortage of investment opportunities in France—from which the bourse could only profit.

In a spate of recent books in France on denationalisation, authors such as Mr Charles de Croisset (assistant managing director of Credit Commercial de France, which is hoping to be quickly reprivatised itself) tend to play down the potential problems for the still relatively weakly capitalised French bourse of coping with a flood of flotations of state-owned banks and industrial groups.

It is true that the present financial management of nationalised companies has already proved highely astute in selling a variety of non-voting shares and other equity-like paper to the bourse to improve their capital resources. Such issues have surged above all in the last few months precisely because investors believe they represent a cheap route to acquiring voting shares later on.

Additionally, denationalisation in Britain has given Paris politicians and bankers a string of ideas on bringing in fiscal inducements, instalment-payment schemes and so on, to add to the sauce of privatisation *à la francaise.*

Yet the overall lesson of France's most celebrated previous *rush into paper money* —the sage of the *assignats* issued in eventually self-destructive quantities, after the French revolution — still sticks in the mind. Paper, whether in the form of bonds representing a claim on land nationalised from the French clergy or share flotations by reprivatised state groups, will only find its way to investors' vaults if the value of the underlying assets remains attractive in relation to the quantity issued.

In view of the still relatively low profitability of French groups on the privatisation list, the right's main worry must be not to strain the absorption capacity of the bourse. Unless denationalisation is handled carefully French investors may be tempted to turn back to gold after all.

Denationalisations: Les Lecons de l'Etranger, C. de Croisset et al, Economica.

Letters to the Editor

Sellafield and nuclear power

From Mr N. Franklin,

Sir, —Almost everyone would agree that the future use of nuclear power in Britain will be determined by its acceptability to the public and therefore by its perceptions of the risks. Thus, although as individual risks they are very small the recent incidents at Sellafield are important, because they contribute to these perceptions and because the public is not well placed to decide whom it should believe.

Your editorial (March 5) also shows a curious imbalance in your presentation of the issues. The total radiation delivered to the British population now and in future by the liquid effluent from Sellafield in 1985 is likely to be about 10 units (Man Sieverts). Nearly all of this will represent a truly imperceptible change in the dose to individuals because the natural background is responsible for 150,000 units a year to the same public, but some small groups will receive more.

If, as you advocate, the UK should choose the pressurised water reactor rather than the advance gas cooled reactor for a modest future nuclear programme, this choice would also result in an extra radiation dose of about 10 units a year, but it would be concentrated on the thousand or two people responsible for operation and maintenance of these PWR units.

Such radiation dose commitments distributed in this way are of equal importance even though, at less emotional times, this importance may not be thought too great.

N. L. Franklin,
(Former Chief Executive of British Nuclear Fuels and of the National Nuclear Corporation),
The Evergreens,
Greenacre Close,
Parkfield Road,
Knutsford, Cheshire.

Video and tape levy plans

From Lord Wilson of Rievaulx

Sir, — According to your report (March 15) the Government is proposing to introduce a levy on blank audio tapes, but not on videotapes. It is also stated in your political editor's report that the Government's decision to exclude video from its tape levy plans is based on the argument that most video recording represents "time shifting" of TV programmes generally erased after one viewing. This argument is ill-founded, as can be seen from the British Screen Advisory Council's detailed report on this subject a year ago.

There is ample evidence to show that taped films (by far the major area of taping) are viewed not only once but become part of permanent collections, are loaned to friends, and even (a recent practice) given away as Christmas presents.

Moreover, the use of prerecorded films — hired, or sold at knock-down prices — is soaring, enabling a whole family to watch a film for infinitely less than the cost of their attending a cinema—and in the UK more people watch films on video in one week than attend the cinema in one year. Although this may be of short-term benefit to the consumer, it forces a price war on to the cinema, creating an intolerable threat to a serious art form and an unacceptable burden on sources of film production finance.

The success of video derives from the free availability of feature films on TV. Video, however, is killing the goose that lays the golden egg and, if current trends in the financial plight of the British film industry continue, there will be fewer and fewer new, high-quality films being made, and the video industry will become starved of product.

In these circumstances it is clear that video should contribute something towards the industry providing the product. My council has estimated that a levy of 90p on a three-hour videocassette (costing £4.50) would yield around £20m a year. If the major part of this sum were made available for investment in British film production as an increase in the limited funds now available to the recently formed British Screen Finance Consortium, it would do much to stimulate British film production and would in turn serve the long-term interests not only of the cinema and video industries, but also of the consumer by providing a wider choice of films.

Wilson of Rievaulx.
(Chairman, British Screen Advisory Council).
House of Lords, SW1.

Practical wisdom in education

From Mr I. Herbertson

Sir,—Anthony Harris displays rugged good sense (March 8) by drawing attention to the need for an element of practical wisdom in educational curricula in order to improve those hoping for a managerial career. One theme I detect nowadays, however, is that those elements should replace traditional subjects and if this were to come about I for one would consider it a sadly mistaken move.

Nobody should pretend that the new graduate can march into management but studying classics, philosophy and literature do help to train the future manager just as much as the study of physics, engineering and computer science. The valuable asset they give to potential managers is the skill to handle difficult and unfamiliar material. They also lack one fault in that they do not produce "horses for courses" armed with the way of dealing with problems. Perhaps the failing of Dr Arnold's "whole man" is in being behind the times and not in being obsolete.

I would like to endorse strongly Anthony Harris' point that post-experience education should be encouraged. It should be much easier for people to undertake higher education after some years at work and the attitude that this is odd should be discouraged severely.

Ian Herbertson.
15 Dovercourt Avenue,
Thornton Heath,
Surrey.

SERPS can be afforded

From Mr M. Meacher, MP

Sir,—Eric Short reports me (March 8) as saying during the current committee stage on the Social Security Bill that a national insurance joint (employer-employee) contribution rate of 27 per cent in 2033 was "properly acceptable" as a price for preserving the state earnings related pension scheme (SERPS) in its present form. I have said no *such thing.*

What I did say was that 27 per cent on which the Government chooses to hang its claim about the unviability of SERPS, was a contrived figure which is very unlikely ever to be realised. The Government Actuary's report on the financial effects of the current Social Security Bill states that "as contributions are linked to earnings while some or all of the benefits are not, growth in real earnings tends to hold down the projected contribution rate." The Government Actuary then adds that he made an assumption of 1.5 per cent per year real growth. The Chancellor on the other hand regularly boasts of 3 per cent per year real growth. Even if future real growth in earnings were only 2 per cent-2.5 per cent, the joint contribution rate at its peak, over the next 70 years, would be around 20 per cent-22 per cent (*it is now 19.5 per cent*).

I also pointed out that even on the Government's assumptions, and even if the basic pension were uprated for the next 50 years in line with earnings (which the Government has rejected), the joint contribution rate would still be only 20 per cent in 2013, and after hitting a peak of 27 per cent in 2033, would fall back again to 24 per cent in 2053. Even more significantly, if, as the Government has done, the basic pension were uprated each year in line with prices only, the maximum joint contribution rate in 2033 —according to government figures—would be only 18.5 per cent, and would fall back again to only 15 per cent in 2053.

This is all the Government's own evidence, and none of it supports its claim that SERPS cannot be afforded.

Michael Meacher,
House of Commons, SW1.

Land as an asset

From Mr N. Davie-Thornhill

Sir,—I read with interest John Cherrington's comment (March 4) on land values. Up to recently I shared his pessimism but I no longer do so.

For the past 40 years farmers have been under considerable pressure in the form of persuasion and bribery through grants and advice to invest large amounts of capital to increase outputs of their holdings. This campaign has been too successful and has produced the surpluses which are now such an expense and embarrassment. I think the message has got through loud and clear to farmers that increased production is not the way to solve all problems and I would expect capital investment in agriculture to slow down to a trickle in future years. This will reduce the overall level of output.

People will still hold land as a durable asset, for my part I would much rather have money in land than, say, pictures, which produce no income whatsoever, need to be insured, are at risk from fire, theft, or vandalism, apart from changes in fashion in the art market—whereas land is virtually indestructable, not easily stolen, has considerable amenity value (in my view a much greater amenity value than a work of art), has a real or potential sporting value, besides giving the owner a worthwhile stake in the local community. I feel all these advantages will always attract people to invest in land regardless of profitability.

I look forward to these changes with a certain amount of enthusiasm as I think over-intensive farming has caused problems of its own.

N. B. B. Davie-Thornhill.
Hinderclay Hall,
Near Diss, Norfolk.

FINANCIAL TIMES

Friday March 14 1986

DECISION TO REMAIN IN ALLIANCE WINS WARM WELCOME

Nato breathes easier after Spanish vote

SPAIN'S vote to stay in the North Atlantic Treaty Organisation was warmly welcomed yesterday at alliance headquarters in Brussels and greeted with widespread relief in the capitals of the 16-member organisation, writes our Foreign Staff.

Lord Carrington, Nato's secretary-general, said he was delighted with the vote and in a statement added: "I know I reflect the feelings of all other members in welcoming the result."

The Foreign Office in London said the Spanish vote was of "historic importance for the West," while a US spokesman said that by "strengthening the security of its own democratic values, Spain had also strengthened those of its friends and allies."

Washington had feared that a vote against Nato, leading to Spanish withdrawal, would have set a dangerous precedent. It could have encouraged opponents of the alliance in other member countries to try to follow suit and led to mounting demands in Spain for the removal of the important US military bases as the next step.

Nato's opponents in Spain had been seen in Washington as motivated largely by anti-Americanism, a further reason for satisfaction in Washington at their defeat.

Defence officials throughout Nato yesterday reacted with relief, for even though Spain's membership of Nato has up to now been primarily of political importance, a 'No' vote could have led to a crisis of confidence within the organisation.

It could also have led to considerable practical difficulties for some of Spain's partners, since the country is involved under a Nato banner in the new European fighter project with Britain, West Germany and Italy.

Spain is also about to take over the chairmanship of one of Europe's key armaments co-operation bodies, the 13-member Independent European Programme group whose work could have been thrown into confusion by the country's withdrawal from Nato.

However, the vote leaves Spain in an anomalous position in the alliance. It is more integrated than France but not yet a full member committing its troops to joint exercises and, in time of crisis, to the defence of other Nato members.

Spanish membership was frozen in 1982, when the former conservative government was on its way to full integration for Spain in Nato's military command structure, a process halted by the socialists. But Spain has remained – as France is not – a member of the influential Defence Planning Committee and of the Military Committee. It also has observer status in the important Nuclear Planning Group, even though Spain refuses to have nuclear weapons on its oil.

Officials at Nato headquarters are now waiting to hear how the Spanish Government will interpret the "yes" vote in the referendum under which voters approved the country's present status.

Lord Carrington took a relaxed view yesterday, noting that in the past it had been possible to accommodate countries not wishing to accept all aspects of the alliance.

Gen Bernard Rogers, the supreme commander in Europe, said that Spain's position outside the command structure would mean "we could at least carry on with the Spanish forces to the extent that we do with the French" – which includes thorough military consultation and joint exercises.

Spain's 320,000-strong forces two-thirds of whom are conscripts, are considered in some Nato circles to be rather ill-equipped and not particularly well trained, a factor leading to some ambivalance about the precise role they should play were the Spanish Government to decide it wanted full military integration.

Cost of Gonzalez win, Page 2

Brussels examines loans to Perrier

By Paul Cheeseright in Brussels

THE European Commission is scrutinising the conditions under which the French Government has granted loans to Perrier, the mineral water company, and Société Européenne de Brasserie, a brewing company in the BSN group.

Provision of the funds is suspended while the examination goes on.

It is also making informal inquiries about a further 12 loans granted by the Fonds Industriels de Modernisation (FIM) to companies as diverse as Peugeot, Renault, Thomson and Péchiney. But Commission procedures have not reached the stage where the provision of funds would automatically have to be suspended.

These actions are taking place under Article 93 of the Treaty of Rome, setting up the European Community. Generally, subsidies are forbidden by the treaty, but there are exceptions under the control of the Commission.

The French Government has received from the Commission a broad approval for providing renovation finance through the FIM. But each case has to be notified to Brussels and here, according to the Commission yesterday, the French Government fell down on its obligations.

The Commission queried the FIM loans of FFr 70m ($9.96m) to Perrier and FFr 40m to Société Européenne de Brasserie because they were for ordinary modernisation. Thus, it is believed, they could distort competition.

FIM loans have a maximum duration of two years but they can cover, within the terms of the Commission's general approval, up to 40 per cent of the cost of new investment.

Officials in Brussels were at pains to stress that the French investigations were routine, citing recent similar inquiries in Belgium, Italy and the UK. But the Commission is seeking to adopt a more stringent attitude towards the provision of subsidies.

US sharpens criticism of Chile's human rights record

BY ROBERT GRAHAM IN LONDON

THE REAGAN Administration has sharply escalated its public pressure on the dictatorship of Gen Augusto Pinochet in Chile with a wide-ranging criticism of both the regime's human rights record and its failure to establish a dialogue with the moderate opposition.

The criticism has been delivered in the UN Human Rights Commission in Geneva by Mr Richard Schifter, the US ambassador, who is sponsoring a tough resolution condemning Chile for its human rights abuses. This is the first time since the Reagan Administration took office that such a public attack has been made on Gen Pinochet.

In presenting the resolution to the UN Commission on Wednesday Mr Schifter directly implicated the Chilean security services in acts of torture and killing and complained that the courts were failing to provide the necessary legal protection against such abuses. He also said the US Government was "greatly concerned" at the way the Pinochet regime was ignoring the chance of a dialogue with the opposition political parties.

The resolution itself, the first initiated by the US over Chile, notes "the persistence of serious violations of human rights in Chile."

At a subsequent press conference, Mr Schifter said: "We go public when it appears our quiet entreaties have not been adequately responded to."

The move reflects growing concern and frustration in Washington over Gen Pinochet's hardline approach to the opposition political parties, which last August finally managed to form a joint democratic platform. The platform, supported by 11 parties ranging from the right to the socialist left and with tacit backing from the communists, called for a dialogue to begin on a transition to free elections and restoration of democracy.

Under the present constitution Gen Pinochet is due to stay in the presidency until 1989 when the Government will select a single presidential candidate. Gen Pinochet has not ruled out that he will be selected as the candidate.

US officials are concerned that by refusing to take up the chance of a dialogue Gen Pinochet will alienate moderate opinion and encourage political instability. This view is shared by members of the EEC and Latin American governments.

Gen Pinochet and the ageing Gen Stroessner in Paraguay head the only right-wing military dictatorships left in Latin America.

The popular protests in Haiti and the Philippines and the sudden public switch of US backing for the Duvalier and Marcos regimes have focused new attention on Chile and Paraguay as a result.

Prominent members of the Chilean opposition feel this is a crucial moment for the US to exert more direct pressure on Gen Pinochet.

In previous years the US contented itself with rejecting Cuban-backed resolutions on Chile as "unbalanced." This year the Cubans have left the field to the Mexicans who have presented a resolution in similar language to that of the US. Negotiations are going on for a single resolution, with the US insisting on the inclusion in the text of a condemnation of acts of terrorism committed by the extreme left in Chile.

Last year US displeasure with the Pinochet regime was discreetly made known by deliberate delays in approving an Inter-American Development Bank loan.

Britain relaxes funding rules for Eureka project companies

BY PETER MARSH IN LONDON

THE British Government is relaxing its rules on research funding to make it easier for UK companies to join Eureka, the pan-European technology programme involving 18 countries.

Under the relaxation, announced yesterday by Mr Geoffrey Pattie, Minister for Information Technology, companies involved in Eureka projects will be able to apply to the Trade and Industry Department for up to half their share of research costs and 25 cent of development costs.

The funds will come out of the department's existing annual budget for research and development of about £360m ($527m).

Eureka was proposed by France last April as a way to pool European expertise in technology to develop commercial products.

So far, 26 Eureka projects have been approved, each involving companies from several countries and spanning technologies such as computers, transport, biosciences, telecommunications factory automation and materials.

British companies – including GEC, ICL, British Aerospace and PA Technology – are involved in seven of the projects. Expenditure on the 26 programmes over the next four years is estimated at about £500m, which will be shared between companies and governments in a ratio which varies according to the specific research scheme.

Mr Brian Oakley, the UK trade and industry official with responsibility for Eureka, said yesterday that 42 new Eureka research projects were under discussion. British concerns were involved in half of them.

Speaking at the end of a two-day meeting in London of civil servants from the 18 countries which are co-ordinating Eureka, Mr Oakley said that agreement was close on establishing a full-time secretariat to run the research programme.

This is likely to consist of one official each from five nations, with a Commission representative.

Eurobonds will back new UK home loans

By Clive Wolman in London

A GROUP of London institutions yesterday announced the formation of a specialist mortgage company, with £25m ($36.4m) of equity capital, to launch the UK's first market in mortgage-backed securities.

The Household Mortgage Corporation will raise funds through the issue of marketable securities and lend them directly to home-owners. Its target is to lend £1bn in the three years after it starts trading in September.

HMC's founder shareholders are Mercantile House Holdings, the international financial services group, Globe and Electra investment trusts and International Financial Markets Trading, a small arbitrage and investment company. Other shareholders include the National Coal Board Pension Fund, Investors in Industry and Sumitomo Life Insurance Company of Tokyo.

HMC is the most ambitious of a variety of schemes launched over the last two years to break the traditional pattern established by the building societies by which a single institution both raises money from individual savers and lends it as mortgages.

Another scheme is to be launched in the next few weeks by the merchant bank Kleinwort Benson. Its Mortgage Funding Corporation will serve as an agent for raising bank finance which others, including Kleinwort Benson itself and several insurance companies, will lend to home-owners.

By contrast HMC plans to raise funds by issuing to companies and financial institutions Eurobonds and other marketable instruments which will be secured on the housing stock of the borrowers. HMC's managing director, Mr Duncan Young, who was formerly head of capital markets at Hambros bank, said that HMC will take major positions as market-maker to ensure that there is sufficient liquidity.

The mortgages will be marketed to home owners through estate agents, mortgage brokers and insurance companies. They will be remunerated through the commissions on endoment policies and pension plans linked to the mortgages.

The development of a mortgage-backed securities market will add to the competitive pressure on the building societies, which currently account for about 77 per cent of all mortgages in the £130bn UK market. The attempts by the clearing and foreign banks to boost their lending has forced down some interest rates over the last few weeks.

The societies reacted to the development yesterday with scepticism. "Their problem will be in finding people to lend to," said Mr Mark Boleat, deputy secretary general of the Building Societies Association. "What will they be able to offer to estate agents and to borrowers?"

He suggested that the building societies would have to respond to such competition by cutting their mortgage rates further and also their interest rates to savers to below the cost of funds raised from the wholesale money markets.

UK to decide on N-power

Continued from Page 1

tricity demand in the past three years had been growing faster than had been forecast.

When the CEGB had drafted its case for Sizewell B, there was no immediate need for its capacity to maintain supplies, so the board had concentrated on a case showing that Sizewell B was a good commercial investment.

But the situation was constantly changing. "Now we do need a Sizewell B and further plants just as soon as we can, in order to meet our capacity requirements as cost-effectively as possible in the mid-1990s. So our case is now inevitably a little different, but the answer remains the same."

$1bn loans for Latin America

Continued from Page 1

They have got to help themselves," he said.

In the congressional hearing at which Mr Baker testified, some members of the Senate appropriations committee warned that Congress might slash US funding for the World Bank and other multilateral development banks as part of its efforts to trim the federal budget deficit. Senator Robert Kasten, a Republican from Wisconsin, told Mr Baker: "We are on a collision course here. There is some pressure to cut [their funds] in half" he said.

Mr Baker responded by saying that the funding the Administration is seeking was only slightly higher than current levels and was based on US commitments.

Mexico to ease airline rules as tourism boost

BY DAVID GARDNER IN MEXICO CITY

MEXICO yesterday announced measures to deregulate air travel in order to boost revenues from tourism and thus partially offset the huge drop in foreign exchange earnings it faces this year as a result of the collapse of oil prices.

The authorities are to open up group routes to foreign airlines and charter traffic, particularly from Europe, from April 16 in a bid to make Mexico's existing tourist facilities and considerable untapped potential internationally competitive.

From that date Mexico's two flag airlines, Aeromexico and Mexicana, will be offering discounts on national and international routes ranging from 20 to 40 per cent. The authorities intend to try to package these discounts with similar reductions in the hotel rate at main resorts.

The cash-strapped Government is also to eke out extra financial resources for the tourist industry probably by waiving value added tax on tourism transactions and removing tariffs on its imports needs.

According to the Government announcement tourism brought in $8.9bn in 1983-85, from a record 13.6m visitors. They were attracted in large part by a rapidly depreciating peso. This is equivalent to about 10 per cent of all foreign exchange earnings and 20 per cent of non-oil export earnings.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	15	59	Dubrovnik	S	16	61	Malta	F	16	61	Rhodes	S	18	64
Algiers	F	18	64	Edinburgh	F	7	45	Manchester	C	5	41	Rio de J'o	S	36	96
Amsterdam	C	4	39	Faro	F	15	59	Manila	S	36	97	Rome	F	13	55
Athens	F	15	59	Florence	R	9	48	Melbourne	S	29	84	Salzburg	C	4	39
Bahrain	S	25	77	Frankfurt	C	5	41	Mexico City	S	27	81	San Francisco	C	17	62
Bangkok	S	33	91	Funchal	C	14	57	Miami	C	26	79	Seoul	C	10	50
Barcelona	C	14	57	Geneva	C	4	39	Milan	R	6	43	Singapore	F	31	88
Beirut	S	23	73	Gibraltar	S	15	59	Montreal	F	0	32	Stockholm	R	0	32
Belfast	C	5	41	Glasgow	C	7	45	Moscow	C	-1	30	Strasbourg	C	5	41
Belgrade	S	11	52	Guernsey	S	7	45	Munich	C	2	36	Sydney	S	22	72
Berlin	C	5	41	Helsinki	Sn	-2	28	Nairobi	S	29	84	Taipei	S	26	79
Biarritz	R	9	48	H. Kong	C	22	72	Naples	F	15	59	Tangier	S	13	55
Bombay	S	23	90	Innsbruck	C	3	37	Nassau	S	28	82	Tel Aviv	S	25	77
Bordeaux	R	7	45	Inverness	F	7	45	New Delhi	S	31	88	Tenerife	S	20	68
Brussels	C	4	39	Islamabad	R	17	63	New York	R	9	48	Tokyo	S	14	57
Budapest	C	7	45	Istanbul	R	7	45	Nice	S	13	55	Toronto	R	1	34
B. Aires	S	26	79	Jakarta	C	31	88	Nicosia	S	22	71	Tunis	S	18	64
Cairo	S	30	86	Jersey	S	6	43	Oporto	C	12	54	Valencia	F	15	59
Cape Town	S	23	73	Jo'burg	F	25	77	Oslo	Sn	0	32	Venice	C	7	45
Caracas	S	26	79	Lima	S	26	79	Paris	C	5	41	Vienna	C	3	37
Casablanca	R	12	54	Lisbon	F	12	54	Peking	S	11	52	Warsaw	C	1	34
Chicago	R	3	38	London	C	4	39	Prague	C	6	43	Washington	C	2	36
Cologne	C	4	39	Los Angeles	C	19	67	Reykjavik	R	5	41	Zurich	C	4	39
Copenhagen	C	1	34	Luxembourg	C	2	36								
Corfu	F	15	59	Madrid	F	8	46								
Dallas	—	—	—	Majorca	F	16	61								
Dublin	C	6	43	Malaga	S	14	57								

Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Tin group quits LME

Continued from Page 1

since the tin council, which ran out of money administering an inter-government price-support pact, defaulted in October. Lonconex had previously announced plans to leave the ring, MMC Metals went into liquidation, and Henry Bath & Son was taken over this week by Metallgesellschaft Ltd.

However, the exchange yesterday was given a welcome boost to morale from one of its biggest clients Metallgesellschaft, the West German metal company and the parent of Metallgesellschaft Ltd. Mr Heinz Schimmelbusch, a main board director, said the group would play its part in rebuilding confidence in the LME.

Metallgesellschaft intends joining other banks and brokers owed money by the ITC in suing the tin council and possibly its 22 member governments, including the UK. The LME says it might sue on the brokers' behalf. The exchange itself faces legal action from broker Shearson Lehman Brothers and its subsidiary, Shearson Lehman Metals, over the ring-out decision.

Meanwhile, confidential ITC documents have disclosed that Mr Pieter de Koning, the buffer stock manager, warned the council in September of "the near-certainty of a tin price of £4,000 [a tonne] or lower for years to come" if the council stopped supporting prices.

Statesmen meet Mandela

Continued from Page 1

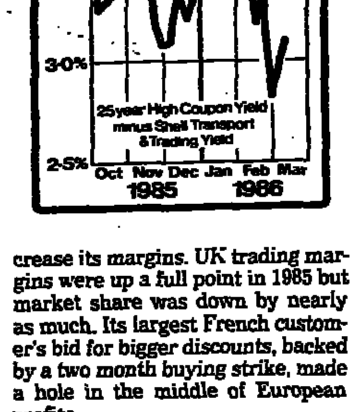
courage the South African Government to begin constitutional talks with black leaders, including Mr Mandela.

The declaration by heads of state which concluded the Nassau meeting called for the dismantling of apartheid, the end to the state of emergency (lifted last Friday by the South African Government), the "immediate and unconditional release" of Mr Mandela and others imprisoned for their opposition to apartheid, and a lifting of the ban on the ANC and other political parties.

THE LEX COLUMN

Hollow laughter from Shell

On the day that Exxon cited the fall in the oil price as a reason for a $2.8bn cut in its capital expenditure programme Shell has seen fit to announce an increase in its dividend.



The comparison certainly struck US investors yesterday, ans as the piled into Shell so UK investors were able to take profits. The shares closed up 12p at 757p after hitting 776p.

Unlike its North Sea partner Shell is intending to spend as much this year as it had planned to in 1985, until that figure was swollen by the chance of buying half of Oxy's giant Columbian oilfield. Similar opportunities to buy once-in-a-lifetime assets from financially-stretched US oil groups are likely to be much thicker on the ground (and offshore) this year.

That should not alarm shareholders who do not share Shell's long-term view of the markets in which it operates. For at least the UK shareholders seem set to benefit from the petrocurrency tendencies of sterling, which have been obscured by the recent weakness in the dollar, to the dismay of all oil companies reporting in sterling.

The petrocurrency factor has been very clear in sterling's showing against European currencies, so that at current rates, a maintained 1986 guilder payout to holders of Royal Dutch will involve a 10 per cent rise in the sterling value of the dividend received this side of the North Sea median line.

Even if Shell were not to cut its vaunted capital spending plans a $15 oil price throughout 1986 should still enable the company to cover such a payout on halved net earnings.

Shell will in the current quarter have been more than amply rewarded by the pricing truce, in oil products, as the industry busily empties its refineries of "high priced" crude.

The merits of LIFO, so useful after 1979, are suddenly invisible. But these downstream profits are in their nature a windfall. By the second quarter downstream margins could well be at traditionally thin levels, and no real cover for the butchery in the upstream business, even for Shell.

Rowntree Mackintosh

Rowntree is fighting a constant and expensive battle with both competitors and customers to increase its margins. UK trading margins were up a full point in 1985 but market share was down by nearly as much. Its largest French customer's bid for bigger discounts, backed by a two month buying strike, made a hole in the middle of European profits.

The sad truth is that Rowntree's main markets offer little growth but plenty of opposition. The only exception is specialist retailing, where expansion through buying shops has fired the board's imagination. The Original Cookie US business, which chipped in around £3m in nine months, might breed chains of hot biscuit shops across Europe.

A quicker route is through acquisitions, and the management has the determination and the funds to make a fair sized purchase. Shareholders must hope that the over-ambitious expansion into Europe in the 1970s, which has left the group with a huge and unsaleable investment in underperforming assets, will not be repeated.

Meanwhile the currency markets are not helping, with the rand's fall knocking £2½m plus off profits in 1985 and the dollar likely to cut even more off 1986 profits if it holds this level. Growth of pre-tax profit from £79.3m to £85m expected for this year will scarcely make up in the share price what the retreat of rumours has removed.

Jaguar

Jaguar is developing into the quintessential Big Bang stock. Around 40 per cent of the company is held by US investors, who turn over roughly 3m shares per day on Nasdaq. As a result the share price seems to have escaped almost entirely from such negative influences as London-based price-earnings calculations.

The London market, moreover, has evidently thinned out. Yesterday it was hard to buy the shares when they were initially marked down for failing to beat the more enthusiastic profit estimates, and they closed 15p to the good at 468p.

Under the mildly disappointing increase of one third in pre-tax profits to £121.3m Jaguar enjoyed a compensating boost to earnings, stemming from an extra tranche of prior-year tax losses (courtesy of BL). The near-doubling of capital investment should keep the tax charge marginally subnormal for another year. For that reason even London investors were willing yesterday to chase the shares back up-market.

But the expectation of flat profits in the period when the XJ 40 is finally introduced, presumably this autumn, implies that even a steady share price would amount to a re-rating. If the new car is a success, producing extra volume and a pricing premium, that should be justified within a year or two since the design also builds in a 10 per cent productivity gain. But all that lies well beyond the various fireworks scheduled for next October.

Bell/BHP

The possibility of a Pacman defence in the Bell Resources takeover bid for BHP must have figured in the earliest computations of Mr Holmes à Court. It has always appeared a test of the BHP management's nerve, whether they would be able to resist the temptation of responding to outrageous pressure by making a retaliatory offer for Bell. Judging by the sheer quantity of Bell stock that BHP has been picking up, it now seems that BHP has more in mind than simply blocking the resolution to place Bell Resources shares with Bell Group. It looks rather as if BHP has cracked, deciding that the best way to deal with Bell is to pocket all the Bell shares – what might be called the marsupial defence. And that will presumably displease Mr Holmes à Court not at all – for at least it gets Bell off a precarious treadmill; but the other shareholders in BHP may wonder if they should be indirectly buying in their own stock.

SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES
Friday March 14 1986

US Steel hit by falling oil prices

By Our New York Correspondent

US STEEL, the leading American steel company, said yesterday that it would take a $260m charge to reflect the declining value of energy inventories in its Marathon subsidiary.

According to the company's annual report, the charge will be made against first-quarter earnings to make up for the difference between actual selling prices and the carrying value of the Marathon oil and gas inventories. In the same quarter of last year, the group declared earnings of $58m, although $38m of that came from non-recurring gains.

The accounting adjustment, a non-cash item, would "reflect reductions from the higher values assigned to crude oil and refined product inventories under the purchase accounting method at the time of the acquisition of Marathon in early 1982," the company added. If market prices increased, the charge would be reduced or eliminated.

US Steel's move follows similar asset write-downs by several other large US energy groups, including Standard Oil and Mobil. These charges reflect the precipitous fall in oil prices at a time when US Steel itself is moving more strongly into the energy sector with the recently agreed acquisition of Texas Oil and Gas, one of the premier gas groups in the country.

Mr David Roderick, chairman of US Steel, said the company had taken steps to mitigate the effects of declining oil prices by entering into netback purchase contracts and moving into the spot market.

Lutz to quit as Ford Europe head

By Kenneth Gooding

MR BOB LUTZ is shortly to give up the chairmanship of Ford of Europe and return to the US to head Ford's North American truck operations.

The move, which Ford would not confirm yesterday, will be widely seen as a demotion for Mr Lutz, 54, who once appeared a serious contender for the group presidency.

However, two years ago his former job – with responsibility for all Ford operations outside North America – was split in two, and he became chaiman of Ford of Europe once more, a position he had filled between 1979 and 1982.

Two years ago Ford attempted to present the change more as a "promotion" for Ford of Europe, which accounts for about 33 per cent of its worldwide business,

But it will be hard pressed to convince observers that Mr Lutz's new post is even a sideways move.

However, Mr Lutz reported last week that Ford of Europe's net profit rose from $147m in 1984 to $326m last year.

US OIL GROUPS SLASH CAPITAL EXPENDITURE PLANS BY $4.3BN

Exxon, Chevron to trim spending

BY WILLIAM HALL IN NEW YORK

EXXON and Chevron, two of America's leading oil companies, yesterday announced plans to reduce their 1986 capital spending by a combined total of $4.3bn because of the recent sharp drop in oil prices.

Exxon, the world's biggest oil company, said its capital and exploration expenditure for the current year had been cut by 26 per cent to $8bn from the 1985 total of $10.8bn. Expenditure for oil and gas exploration and production, which had totalled $7.6bn last year, will be reduced to $5.6bn in the current year. Spending on the group's refining and marketing operations will be cut by 21 per cent to $1.5bn.

Mr C. C. Garvin, Exxon's chairman, said yesterday: "These reductions are largely in response to the sharp decrease in crude oil prices and a re-examination of our strategies in light of today's business environment to ensure Exxon retains its strong financial standing and has the flexibility and resources to pursue attractive opportunities."

Several US oil companies have already announced sharp cuts in their capital spending plans in response to the recent chaotic conditions in the world oil markets. However, Exxon's move is significant because of the company's size and importance in the world oil industry. It provides evidence that even the industry giants are now resigning themselves to a world of lower oil prices than anyone thought possible just six months ago.

In San Francisco, Chevron, which is still digesting its $13bn takeover of Gulf, announced that it was reducing its estimated capital spending by 30 per cent to $3.5bn. This compares with a $5bn target set last year before the collapse in oil prices.

Mr George Keller, Chevron's chairman, says that the lower spending level, which included both project deferrals and cancellations, reflects "the uncertainty of future crude and product prices." He noted that the target could be revised again should the outlook change.

About 65 per cent of the $3.5bn Chevron now plans to spend is destined for upstream activities – exploration and crude oil and gas production – which, it says, is down only slightly from the 1985 level.

Mr Keller says Chevron is re-examining its operating expense and manpower requirements in view of the reduced activity implied by it revised capital spending programme.

Swissair to increase dividend and capital

BY JOHN WICKS IN ZURICH

SWISSAIR, Switzerland's national airline, intends to step up its dividend from SFr 35 to SFr 38 a share, following a 12.8 per cent growth in net profits to a record SFr 68.5m ($35.5m).

Shareholders will also be asked at the April 24 annual meeting to approve a four-stage increase in the company's equity base.

The board plans the creation of so-called dividend-right certificates. These non-voting shares will have no nominal value but entitle holders to a one-fifth dividend.

A first series will be issued in a one-for-10 rights issue against existing shares. A further series of 1.5m certificates without drawing rights will be issued to back a subsequent certificate-based warrant bond float.

Swissair also plans a conventional one-for-15 rights issue of registered and bearer shares and will create a further 25,000 registered and 5,000 bearer shares without drawing rights to be reserved for staff.

Last year, total revenues rose 8.5 per cent to SFr 4.35bn and costs including depreciation by 8.2 per cent to SFr 4.29bn.

Mr Robert Staubli, president, said the airline had accomplished its primary goal, which was to achieve a "solid, black-ink result on flight operations." The corresponding operating surplus amounted to SFr 27m last year, after only a marginal profit in 1984 and losses on flight operations in the four preceding years.

Elsewhere, non-flight services showed a "sound performance" for the 20th year in succession – while the charter-subsidiaries Balair and CTA both recorded "very good results."

Mr Staubli pointed out that overall profit margins were still below the levels achieved in 1969 and 1977. The airline had also benefited last year from more favourable economic conditions and exchange rates and cheaper fuel.

However, Swissair is expecting another good year. Mr Staubli said there should be a "bottom-line result for 1986 that is more or less the same as that achieved in 1985."

Deliveries of new aircraft this year and next as part of Swissair's fleet modernisation programme will require no new funding transactions. Apart from internally generated resources, the airline will resort to only a "very modest share of its substantial liquidity reserve."

In the coming decade, Swissair is to replace its DC-10 fleet. Mr Staubli said potential successors were the McDonnell-Douglas MD-11 and the four-engined Airbus Industrie 340.

Ericsson information systems loss soars

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

ERICSSON, the Swedish telecommunications and electronics group, revealed yesterday that it had run up higher than expected losses of SKr 806m ($111m) in its troubled information systems division last year, a sharp deterioration from the losses of SKr 217m accumulated in 1984.

Mr Bjorn Svedberg, chief executive, said that "correcting the problems that arose in 1984 turned out to be more complex and demanded more resources than we had reason to anticipate a year ago."

Ericsson operations were now being focused chiefly on improving the profitability of information systems and the group's US subsidiary as well as on restoring profits in public telecommunications to earlier levels.

The group said yesterday that operating profits of the public telecommunications division had dropped by 33 per cent to SKr 1.28bn from SKr 1.93bn in 1984.

Ericsson's share of losses in the US amounted to SKr 349m compared with SKr 353m in 1984. With effect from the end of 1985 Ericsson has taken over sole responsibility for the US subsidiary Ericsson Inc, which was previously a 50/50 joint venture with Atlantic Richfield, the US oil company.

Overall Ericsson group sales rose by 11 per cent to SKr 32.49bn while profits before tax and allocations plunged to only SKr 878m from SKr 1.569bn in 1984.

Ericsson said that the lower rate of increase in sales last year had resulted, chiefly from declining demand for analogue transmission equipment and a weaker than expected trend in the market for computers and office automation.

Norwegian groups discuss merger

By Fay Gjester in Oslo

TWO LEADING Norwegian concerns – Orkla Industrier and Borregaard – yesterday said they were discussing a merger and aim to reach agreement soon.

Earlier this year, Orkla increased its stake in Borregaard from 18 per cent to 46 per cent by buying large blocks of shares from, among others, the Kosmos shipping and industrial group.

A joint statement said the aim was to establish "a strong Norwegian industrial unit, with potential for development, and with the necessary resources to compete internationally."

Talks were being continued on the assumption that a merger would involve the exchange of six Orkla shares for five shares in Borregaard.

Borregaard, which has interests in forest products, chemicals, metals and foodstuffs, recently announced 1985 profits before extraordinary items of NKr 195.7m ($27.2m), compared with NKr 168m in 1984, on turnover of NKr 5.4bn (NKr 4.7bn).

Last year extraordinary items boosted the total by NKr 81m, giving a pre-tax result of NKr 276.7m (NKr 166m).

Dividend is being increased to NKr 14 a share, from NKr 12.

Orkla Industrier, an investment/industrial group, reports operating income of NKr 3.45bn in 1985, against NKr 2.63bn a year earlier.

But group profits were almost unchanged, at NKr 230m (NKr 228m). Increased earnings from investments more than offset poorer results from industrial activities, but net earnings per share were lower – NKr 59 against NKr 62.50.

● A leadership change has been announced at Laly, the Norwegian shipping and investment company which has recently had difficulty raising funds for its continuing takeover battle with Kosmos.

Mr Wilhelm Blystad, one of two brothers whose corporate raiding activities have attracted much publicity in Norway, is being replaced as managing director by Mr Gunnar Bretvin.

Weak final quarter more than halves K mart earnings

BY TERRY DODSWORTH IN NEW YORK

K MART, the second largest retail chain store in the US, reported a sharp fall in profits last year, when a large loss on discontinued operations more than halved net income.

Earnings for the year to the end of January came to $221.2m, or $1.73 a share, against $499.1m, or $3.84, in the previous year while sales increased to $22.4bn from $21.1bn.

With the loss from discounted businesses amounting to $250m, the results from continuing operations showed only a small decline from last year at $471.2m, or $3.63, against $498.7m, or $3.84.

Most of the decline in K mart's earnings was attributable to the final quarter when net earnings dropped to only $10.5m, or 9 cents a share, following a large loss on discontinued operations.

In the same period last year the company achieved earnings of $204.3m, or 1.57.

The quarterly results were arrived at after taking in a loss of $237.8m from discontinued operations.

On a continuing basis, the figures showed a substantial improvement on last year's performance, with profits rising to $248.3m, or $1.90, from $201.2m, or $1.55. Sales for the period slipped to $6.8bn from $6.9bn.

The company said that sales for the latest quarter and year were affected by the sluggish overall retail environment in 1985 and a highly competitive period. Gross margins, however, improved because of significantly lower markdowns due to better balanced inventories.

● Dayton Hudson, the Minneapolis-based operator of discount and department stores, lifted fourth-quarter net earnings to $153.3m, or $1.58 a share, from $148.7m, or $1.54, a year earlier.

The latest result includes an 8 cents-a-share charge for a Lifo accounting provision, compared with a credit of about 1 cent a share in the first quarter of 1984-85.

For the year ended February 1 the company reported net earnings of $283.6m, or $2.92, up from $259.3m, or $2.68.

Revenues advanced from $8.01bn to $8.79bn, with fourth-quarter revenues up from $2.74bn to $2.94bn.

Rivals for Providence raise takeover offers

BY DAVID HOUSEGO IN PARIS

THE TAKEOVER battle for Providence, the French insurance group, has intensified with sharply increased bids from the rival contenders.

The new offers from the Axa insurance group, whose main subsidiary is Drouot Assurances, and from Compagnie du Midi, which owns Assurances du Groupe de Paris (AGP), put a value on Providence shares of between FFr 3,108 ($442) and FFr 3,700 compared with a last quoted price of FFr 766 when they were suspended from trading in November. The offers correspondingly raise the market capitalisation of Providence to between FFr 3.6bn and FFr 4.3bn, compared with FFr 900m before the takeover battle began.

Axa has raised its offer from 5.5 to 7 Drouot shares for each Providence share subscribable through a convertible bond to be issued by Drouot. This puts a value on Providence shares of FFr 3,700.

Compagnie du Midi has increased its bid by offering to exchange Compagnie du Midi shares with Providence shares instead of AGP shares. The new offer is for three Compagnie du Midi shares as against five Providence, putting a value on Providence shares of FFr 3,108.

Nestlé raises profits to SFr 1.75bn

BY WILLIAM DULLFORCE IN GENEVA

NESTLÉ, the Swiss foods group, yesterday reported a 17.7 per cent increase in consolidated net profit to SFr 1.75bn ($910m) for 1985. Group sales, boosted by the incorporation of Carnation, the US processed foods company which Nestlé bought at the beginning of the year, reached SFr 42.2bn – up by 35.6 per cent.

The dividend Nestlé proposes to pay its shareholders will be known after the board meeting on April 8 but Mr Helmut Maucher, managing director, has said that it is unlikely to be lower than the SFr 135 a share paid for 1984.

Profit per share for 1985 works out at SFr 515. That marks a rise of 7.3 per cent, considerably smaller than the growth in overall earnings, but reflecting the larger number of shares and participation certificates following last year's capital increases which went to finance the Carnation acquisition.

The lower profit margin of 4.1 per cent of sales against 4.8 per cent in 1984 had been forecast by Mr Maucher. The decline derives partly from extraordinary charges and financing costs incurred in connection with several acquisitions made in 1985.

The lower margin also mirrors a change in Nestlé product mix. Some new operations, such as the roast and ground coffee business, and some milk products give lower margins than the traditional operations.

On the other hand their investment requirements are less demanding, so that they will not reduce the return on invested capital.

Weakening rand helps Gencor to 66% gain

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

GENERAL MINING Union Corporation (Gencor), the South African mining and industrial finance house, boosted 1985 earnings by 66.2 per cent to a record R458m ($230.5m) from a restated R275.5m in 1984.

The latest earnings equal 481 cents a share on the capital increased by last year's rights issue. A final dividend of 140 cents brings the 1985 total to 195 cents compared with 190 cents for the previous year.

Gencor points out that 1984 earnings were abnormally depressed by heavy foreign exchange losses. In that year R129.9m was written off while a further R77.1m was deferred for future amortisation. The whole of the loss deferred from 1984 has been amortised in the 1985 accounts.

Thanks to the weakness of the South African currency, Gencor's mining interests with their dollar-priced products, increased their contribution to last year's profits by 75 per cent.

Pininfarina plans bourse flotation

BY ALAN FRIEDMAN IN MILAN

PININFARINA, Italy's top car designer, is planning to come to the Milan stock market in the next few months with a share issue which will place 25 per cent of the family controlled company in the hands of the public and which is expected to raise about L50bn ($32.2m).

Pininfarina's debut on the Milan bourse is being managed by Mediobanca, the merchant bank which will itself hold a 3.5 per cent share stake in the Turin-based designer following its flotation.

The Pininfarina family will be left with 71.5 per cent of the share capital.

Pininfarina, which recently won a $600m order to build 48,000 Cadillac car bodies for General Motors (GM) over the next six years, last year had L200bn of group turnover, a 17.3 per cent rise year on year.

The group has not disclosed its 1985 net profit (the 1984 figure was L3.3bn), but said yesterday that its cash flow last year had amounted to 10 per cent of turnover.

INTL. COMPANIES & FINANCE

Sandvik recovers with record profit

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

SANDVIK, the Swedish cemented carbide and special steels group, boosted its profits by 59 per cent last year, continuing two years of strong recovery following the plunge into losses in 1983.

Profits (before extraordinary items) climbed to a record SKr 1.610bn ($222m) compared with SKr 1.013bn in 1984 and a loss of SKr 179m in 1983.

Sales were strong in most markets, particularly in Western Europe. Group turnover rose by 11 per cent to SKr 12.56bn from SKr 11.868bn in 1984 while new orders rose by 9 per cent to SKr 12.927bn.

The strong improvement in profitability was chiefly due to a high level of capacity utilisation and increased productivity, Sandvik said.

Return on capital employed rose to 21.3 per cent compared with 20 per cent a year earlier while profits per share jumped to SKr 82 from SKr 52 a share in 1984.

The big jump in profits was also helped by lower financial costs and foreign exchange gains on long-term debt of SKr 142m compared with losses of SKr 190m in 1984.

Sandvik took a one-off write-down of SKr 178m on inventories in the last quarter of the year as a result of the fall in raw materials prices.

The group said it expected to hold profits this year at around the 1985 level even if there was only a modest incease in turnover.

Sandvik is increasing its dividend by 40 per cent to SKr 14 a share from SKr 10 in 1984. At the same time it is planning a four-for-one share split and it is also to make a one-for-three bonus share issue.

In addition it is offering shareholders with A-free shares an exchange to B-free shares which are also quoted on the London Stock Exchange and are traded in larger volumes. The B-free shares have generally traded at a small premium to the A shares.

Most of Sandvik's profits came from its cemented carbide operations which accounted for SKr 1.1bn of group profits of SKr 1.6bn, an increase of 39 per cent.

Profits of the special steel division rose more slowly to SKr 255m from SKr 239m in 1984 while profits from saws and tools increased to SKr 95m from SKr 65m a year earlier.

Sandvik reaped the benefits last year of a far-reaching rationalisation of its operations in recent years as well as of stronger market conditions.

First Chicago warns of increase in bad loans

FIRST CHICAGO, holding company for the 10th largest US bank, has warned that its non-performing loans "are likely to increase significantly in 1986, beginning as early as the end of the first quarter" because of weaknesses in real estate, energy and metals industries, Reuter reports.

The quality of its outstanding loans to Mexico and Brazil could also deteriorate this year, the company says in its annual report. It added, however, that actual write-offs for commercial loans will decline.

The company declined to predict the level of non-performing assets in the first quarter, but the increase in non-performing loans would also come from loans to other financial institutions, it said.

It had non-performing loans of $657m at December 31, down from $758m a year earlier. Loan write-offs were $271.3m, down from $414.9m. About two thirds of last year's write-offs were on loans to commercial borrowers and a third on consumer loans.

First Chicago said consumer loan write-offs, mostly on credit cards, would rise this year.

About $200m of its $1.9bn in energy loans is to companies in oil and gas drilling businesses, the most vulnerable part

Most of the rest of its energy loans were to financially sound, large energy companies, it said.

Schlumberger

SCHLUMBERGER ANNUAL REPORT 1985

CHAIRMAN'S LETTER

Grief and shock – this is how we will remember 1985.

Jean Riboud, after 34 years with the Company and 20 years at the helm, has left us too soon. We will remember him for his long-term vision and sense of detail, for his charisma and sense of modesty, for his patience and sense of urgency. The Schlumbergers and Jean Riboud have created and forged Schlumberger. What a challenge to follow them.

It was a difficult year for our businesses:

□ *The oil industry, mainly in the United States* and the OPEC countries, went into disarray: oversupply, expectation of an oil price decline, excessive debt after restructuring, difficulty in securing financing, uncertainty about taxation. all of this drastically reduced the activity in the United States and in the Middle East and created turbulence throughout the rest of the world.

□ The *semiconductor industry* went *through its* worst recession since its origin.

□ The other industries, in the United States, in Europe, *in Japan*, were *waiting for a clear signal that* the world was finally getting out of inflation and away from austerity, that the banks would hold, that protectionism would not ruin their investment plans.

Earnings of the Company for the past year were $862 million, down 27%, and for the first time since 1980, below the one billion dollar mark. Furthermore, we decided to reduce the value of Fairchild in the Company books to reflect current conditions. This caused an exceptional charge to earnings of $511 *million, reducing 1985 net income to $351 million.*

Crises have their value: they force us to concentrate on the essentials, to reconsider every option.

What are our businesses?

□ First, we are an *oilfield services company*, bringing technology to the oil industry anywhere, anytime. Whenever I am among the Schlumberger people in the oilfield, in China, in the North Sea, in Alaska, I see the team at work and it works extremely well. It is lean, conscious of its quality, eager to serve the client, and fighting for margins.

But we want more: Schlumberger has to emerge from the present crisis, stronger, better and not stunted. The key to this lies with the research and engineering centers. Despite the oil recession, we have spent at a record *level for research and engineering*, in dollars and as a percentage of revenue. We have the financial means to continue but we will demand results. New tools in Wireline logging, testing, pumping and drilling will place us in a unique position to fight the present recession and to take full advantage of the recovery.

Our goal in the oilfields is to be the best, not only in the Wireline but also in the other services. We shall continue recruiting from all countries, placing priority on continuous training, giving full responsibility through decentralization to the field organization, appraising people on results and on human qualities. In addition to our present oilfield businesses, Wireline, Flopetrol Johnston, Dowell Schlumberger, Sedco Forex, and Anadrill, we are *starting our own surface seismic activity oriented* toward reservoir description.

□ Schlumberger is also an *electronics company.*

Having access from within to the world of semiconductors, measurement technology, graphics and software helps our oilfield sector stay ahead. But it does not justify losses.

People tend to forget that more than half of our electronics activities, which we call Measurement & Control, are solid, profitable and growing. It took perseverance, faith and conviction to reach this result. Today, we are ready to expand in the international markets through leadership in electricity, water and gas management, electronic payments, transducers, instruments, bringing technology to the utilities, to the aerospace industry, to the banking community...

Fairchild Semiconductor has turned one corner: reaching stability and improving manufacturing efficiency. We are moving aggressively toward new products designed for specific applications or for individual customer needs. The first signs of a change in client attitude are apparent. But Fairchild has a second corner to turn, to make money.

Computer Aided Systems represents a unique attempt to bring together four companies helping industry to build paperless factories: Applicon in CAD-CAM, Benson in computer graphics, Sentry in electronic component testing, Factron in electronic subassembly testing. We made progress in organizing each company; we now have to link them into a coherent group.

Our goal for electronics is to make it profitable. It means quality, professionalism and selectivity. We shall continue to move away from the intense competition of low technology products and toward the *more difficult but also more rewarding service of* helping the engineering departments, from design through manufacturing.

Are we at the bottom?

Even if the price of oil does fluctuate widely in the coming months, we have now entered a period of lower prices. This should help most countries revive their economies.

Demand for energy will grow again; oil and gas will supply most of the increase. Slowly but certainly, oversupply will disappear and the Nineties could be similar to the Seventies and the Fifties, even more so if the oil industry stops looking for new oil.

A stronger economy means also a better environment for the electronics part of Schlumberger. Measurement & Control is already benefiting from *increased orders and a higher value of the European* currencies. Orders are coming back at Fairchild and at Applicon.

Nothing worthwhile is easy and we are fighting. But we are in the right business, bringing technology to industry – we have the best people, we have the imagination, the courage and the patience.

February 19, 1986

Michel Vaillaud
Chairman & Chief Executive Officer

THREE YEAR SUMMARY

YEAR ENDED DECEMBER 31,	1985	1984	1983
Revenue, in millions	$ 6,557	$ 6,370	$ 5,797
% Increase (decrease) over prior year	3%	10%	(8%)
Net Income, in millions	$ 351*	$ 1,182	$ 1,084
% Increase (decrease) over prior year	(70%)	9%	(20%)
Per common share:			
Net Income	$ 1.17*	$ 4.10	$ 3.73
Cash dividends declared	$ 1.20	$ 1.12	$ 1.00
Number of employees	72,810	74,970	77,820**

*Net income for 1985 includes nonrecurring charges with an after tax effect of $511 million ($1.71 per share). Excluding these charges, net income would have been $862 million ($2.88 per share).

**For comparison purposes, this figure has been adjusted to include the 8,900 employees of SEDCO and Dowell Schlumberger North America, which were acquired in 1984.

Certain information relating to directors' share dealings and group companies, required by The Stock Exchange in London to be made available, may be inspected during the next three weeks during normal business hours at Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, from whom copies of the full Annual Report of Schlumberger Limited for 1985 may be obtained.

Issuing houses put brake on new dollar offerings

BY CLARE PEARSON

ISSUING HOUSES took heed yesterday of the lacklustre state of the Eurodollar market—where recent, tightly-priced deals are moving very slowly and held back on new issues.

The dollar floating rate note market has been more stable than the fixed rate sector, so Merrill Lynch ventured to launch a $100m first tranche of a $150m issue for Chrysler Financial, rated triple B by Standard & Poor's. The five-year notes, priced at par, pay coupons of ⅛ per cent over six month London interbank offered rate (Libor).

Thermedics, a US manufacturer of medical equipment, announced a $25m convertible issue. The 10-year bonds bear an indicated coupon of 5¼ to 5½ per cent. Fees are 2½ per cent, and the bonds will be callable for one year from next November at 106 per cent if the share price has exceeded the conversion price by 30 per cent, and at declining premiums thereafter. It is expected that when final terms are announced next week a conversion premium of five to 10 per cent will be set.

Goldman Sachs issued 250,000 each of warrants providing call (buying) and put (selling) options into the US Treasury 9¼ per cent bond due in 2016—the so-called "long bond." These continue a series of such warrants that Goldman started issuing last year. The issue price on both types is $30, and both expire in February 1987. The exercise price on the call warrants is 119¾, and on the put warrants 107. This reflects the substantial premium to par at which the long bond has been trading recently.

Following Leeds Permanent's fixed rate sterling deal last week, Baring Brothers launched a £200m floating rate note for the same building society.

The notes are for 10 years, and will pay interest at ⅛ per cent over three month Libor from June. Until then, the rate is fixed at 12 1/16 per cent, a feature designed to take advantage of investors' expectations of a fall in sterling interest rates.

The rollover dates are timed to coincide with financial futures contract dates, in anticipation of the building societies being allowed to use these markets in due course. Baring Brothers said these features had allowed fees to be pared to 18 basis points. The bonds were quoted well within commissions yesterday afternoon.

Sanwa International launched a Y10bn, 6 per cent Eurobond for Swedish Export Credit. The issue matures in 1991 and the issue price is 101¼ per cent. As thoseon Wednesday's issue for these terms are the same as CFP-Total, the French state-controlled oil company, traders felt they looked generous.

Citicorp arranged an issue of warrants into shares of the Japanese department stores company Tokyu. There are 500,000 warrants with a life of four years. Each warrant provides the right to buy 100 Tokyu shares at Y506 apiece. Compared with a price yesterday for the shares of Y700, the warrants are priced at SFr 330 each, which implies an effective exercise premium of about 16 per cent. Citicorp has a holding of the shares to back up the issue.

Banco di Roma took advantage of the strength of the Ecu Eurobond market and launched Ecu 75m 8½ per cent bonds due 1993. Issue price was 100¼ per cent. As initial demand for the offering was very strong, lead-manager CIBC increased the issue size to Ecu 100m.

Although the Deutschmark Eurobond market was sluggish, Amsterdam-Rotterdam Bank launched a DM 200m bond. The eight-year issue pays interest at 5⅞ per cent and the issue price is 99½ per cent. Lead-manager Deutsche Bank reported initial trading levels within the total fees of 2⅛ per cent.

Deutsche Bank also launched a DM 150m floating rate note for Montedison, the Italian chemical group. The seven-year notes pay interest at ⅛ per cent over six months Libor and are priced at par. Total commissions are 50 basis points.

There are no new issues in Switzerland, where the market closed mixed. Secondary market prices recovered selectively ater a weak start.

Fund aims at US and Japanese bonds

NIKKO SECURITIES is to start marketing from mid-March, a new type of money trust fund. The Nagai Bond Fund will invest equally in Japanese and US government bonds.

The five-year Nagai Bond Fund — the first money trust fund designed for individual investors—expects yields of 6.5 per cent, assuming the yen-dollar exchange rate averages Y180 for a year, Japan's second-largest securities firm said.

The ratio of funds to be invested in foreign government bonds will be raised if the yen strengthens further against the dollar, Nikko said.

The size of the fund has been limited to Y30bn with minimum investment set at Y10,000. The contract can be cancelled after a year from the date of signing.

Nikko Securities has decided to market the new financial instruments to comply with strong requests from individual investors for such a fund, allowing them to benefit from the high yield of US Government bonds.

Three types of money trust funds have been available to corporate investors since 1984.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on March 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amev 10⅜ 92	100	106¼	106⅝	−0½	+0¼	9.00
Amex Credit 10⅞ 90	100	108⅜	108⅞	+0⅛	+1⅛	8.33
Atlan. Richfield 10⅞ 00	250	105⅜	105⅞	0	+1⅛	9.60
Australia Com. 11 95	200	114⅞	115⅜	−0⅞	+0¼	8.56
Australia Com. 11¾ 00	100	117	117½	−0¼	+0¼	9.04
BP Capital 11⅛ 92	150	109⅜	109⅞	−0⅛	+0⅞	8.98
Campbell Soup 10½ 95	100	111¾	112¼	−0⅛	+0¼	8.58
Canada 11½ 90	500	111¾	112¼	−0⅛	+0¼	7.89
Canadian Pac. 10¾ 93	100	107⅛	107⅝	+0⅛	+1⅛	9.27
CEPME 10¼ 91	100	107⅛	107⅝	−0⅛	+0⅛	8.39
Citicorp 10 88	200	103¼	103⅝	+0¼	+0½	8.38
Citicorp 10 96	200	†102	102½	−0⅛	+1	9.63
Citicorp 10⅜ 95	200	104⅜	104⅞	−0⅛	+0¼	9.83
Credit Lyonnais 9 91	200	103¼	103¾	−0½	+0⅛	8.10
Credit National 9⅝ 93	150	103⅝	104⅛	−0½	+0¼	8.35
Denmark Kgdm. 11¾ 89	100	107⅜	108⅛	−0¼	+0½	8.25
Denmark Kgdm. 11½ 90	100	110⅜	110⅞	−0½	+0⅛	8.36
Denmark Kgdm. 11½ 92	100	112⅞	113⅜	−0⅛	+1¼	8.63
EDF 10 95	225	107⅛	107⅝	−0½	+0⅞	8.77
EEC 8¾ 91	150	102⅞	103⅛	−0⅛	+1½	7.88
EEC 9⅝ 98	350	104½	105	−0½	+0⅛	8.25
EIB 10¼ 94	200	108½	109	−0⅛	+0⅞	8.76
EIB 12 95	200	120½	121	−0⅛	+1¼	8.61
Eli Lilly 10⅛ 92	150	110	110½	−1⅛	+0⅞	8.16
Equit. Lrd. Rlty. 10½ 97	100	108⅝	109⅛	−0¼	+0⅞	9.22
Export Dev. Cpn. 10 90	100	107	107½	−0⅛	+0⅞	7.91
Fed. Dep. Strs. 10⅜ 95	100	109	109½	−0⅛	+0⅞	8.63
Ford Motor Crd. 10½ 91	150	107	107½	−0⅛	+1⅛	8.78
Ford Motor Crd. 11⅜ 90	100	108⅝	109⅛	−0½	+0⅞	8.60
Ford Motor Crd. 12 95	100	114	114½	−0⅛	+0⅞	9.55
Gen. El. Cred. 10⅛ 00	200	105½	106	−0⅛	+0⅛	9.48
GMAC 10⅛ 89	200	105⅝	106⅛	+0⅛	+0⅛	8.07
GMAC 10⅛ 92	250	107⅜	107⅞	0	+2⅛	8.68
IADB 9⅞ 95	200	108½	109	−0⅛	+1⅛	8.52
IADB 10½ 95	150	112⅜	112⅞	−0⅛	+1¼	8.49
Kellogg Co. 10⅞ 90	100	106⅝	107⅛	−0⅛	+1⅛	8.64
Kellogg Co. 11⅛ 92	100	109½	110	−0½	+1⅛	9.02
Nippon Cr. Bk. 10⅜ 95	150	111⅝	112⅛	+0⅛	+0⅛	8.75
Pillsbury Co. 10⅛ 93	100	106½	107	−0⅛	+0⅛	8.96
Proct. & G. 'A' 9⅞ 92	150	104⅞	105⅜	−0½	+0⅛	8.83
Pru Realty S. 12⅛ 95	546	114½	115	−0⅛	+1⅛	9.57
Dantas Airways 10⅜ 95	140	110⅝	111⅛	−0⅛	+0⅞	8.61
Quebec Hydro 11½ 92	100	†114⅝	115⅛	−0¼	+2⅞	8.46
Queensld. Gvt. 10⅛ 95	100	109⅜	109⅞	−0⅛	+0⅛	8.70
Ralston Purina 11⅛ 95	150	118⅛	118⅝	−0¼	+2¼	8.73
Saab Scania 9½ 91	125	104⅛	104⅝	−0⅛	+1½	8.37
Saskatchewan 10⅜ 92	100	111	111½	−0⅛	+1⅛	8.29
Scandinavia Air 10¼ 95	150	108⅜	108⅞	−0¼	+0⅞	8.76
State Bk. S. Au. 9¾ 93	100	102⅞	103⅛	+0¼	+1⅛	8.67
Statoil 10 90	170	106⅝	107⅛	−0½	+1⅜	8.07
S. Wales Trsy. 11⅜ 90	150	109⅜	110⅛	−1½	−0½	8.75
Swed. Exp. Cred. 10 92	100	108½	109	−0½	+1¼	8.15
Sweden 10¼ 92	250	109⅛	109⅝	−0⅛	+0⅛	8.36
Sweden Kgdm. 10⅞ 90	200	109	109½	−0½	+0⅛	8.17
Sweden Kgdm. 11½ 89	200	110⅛	110⅝	−0⅛	+0⅛	8.10
Sweden Kgdm. 11⅜ 90	100	114⅜	114⅞	−0½	+0⅞	9.22
Tenneco Cpn. 10⅜ 95	150	106⅛	106⅝	−0⅛	+1	9.84
Utd. Tech. Fin. 10⅜ 95	100	109⅛	109⅝	+0½	+1⅛	9.10
Victorian Rep. 11⅜ 92	150	112⅞	113⅜	−0½	+0⅛	8.77
World Bank 9⅜ 2016	300	109½	109⅞	−0⅛	+0⅛	8.82
World Bank 10⅜ 95	300	112½	113	−0⅛	+1½	8.11

Average price changes... On day −0⅛ on week +1

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 8 94	200	108	108⅛	−0⅛	+0¼	6.67
Austrian Elec 6½ 95	150	101½	102	−0⅛	−0⅛	6.26
Copenhagen 7⅜ 95	150	103¼	103⅞	0	−0⅛	6.83
Dow Chemical 6¾ 95	300	102⅞	103⅛	0	+0¼	6.31
EIB 6⅞ 95	300	104⅞	105⅛	−0⅛	+0½	6.13
EIB 7⅛ 94	300	105⅜	106⅛	−0⅛	+0⅛	6.33
Emhart Cpn. 6¾ 95	175	101	101⅝	−0⅛	0	6.56
Ex. Im. Bk. Korea 7⅝ 90	100	101¾	102⅛	0	0	7.03
Finland Republic 7 92	200	104½	105⅛	+0⅛	+0⅛	5.99
Gould Int. Fin. 7⅛ 91	100	104¼	104⅞	0	−0⅛	6.54
Heron Intl. Fin. 7⅜ 95	100	97⅞	98	0	−0⅛	7.58
Hoesch Intl. Fin. 7 95	100	103⅛	104⅛	0	−0½	6.46
Ireland 8⅛ 92	150	107⅛	108	0	+0⅛	6.57
I/S Elsam 6⅞ 93	125	99	99⅛	0	+0⅛	6.86
Japan Fin.Con. 7⅜ 91	100	105⅜	105⅞	+0½	0	6.34
Mtsbshi. M. 3⅜ 89 WW	100	105⅝	106⅛	0	−0½	1.43
Mtsbshi. M. 3⅛ 89 XW	100	91⅝	92⅞	0	0	5.53
Quebec-Hydro 7⅞ 95	200	106⅜	107⅛	+0⅛	+1⅛	6.14
Renfe 7⅛ 95	100	105½	106	0	−0⅛	6.88
Soc. C. Nuclear 7⅞ 90	105	103⅝	104⅛	0	+0¼	6.69
So. C. Nuclear 8 91	100	105	105⅛	0	+0⅛	6.75
S. African Tran. 7⅜ 92	100	96½	97⅛	0	+1⅛	8.23
World Bank 7 95	600	105½	106⅛	−0⅛	+0½	6.12

Average price changes... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon. Cap. Cpn. 5⅜ 94	130	†102	102⅛	−0½	−0½	5.06
Br. Land. Comp. 6½ 99	75	†105½	105⅛	0	−0¼	5.89
Chrysler 5⅜ 96	160	†100¼	100½	−2⅛	−2⅝	5.70
Council of Europe 6 92	120	†105	105¼	+1⅞	+0⅛	5.07
Creditanstalt 5½ 94	100	†102	102¼	+0⅛	−0⅛	5.19
Deutsche Bk. Fin. 6⅛ 95	100	†104¼	105	+0¼	+0¼	4.89
EIB 6⅞ 94	120	†104½	104⅞	+0⅛	+1⅛	6.19
Gen. Occidentale 4½ 94	80	†110½	110⅞	+0⅛	−1⅛	3.09
Glendale F. S&L 5½ 95	100	†99½	99⅞	0	+0½	5.55
Ind. F. Finland 5⅛ 94	40	*†102	102⅛	0	0	5.43
Int. Am. Dv. Bk. 6⅛ 94	120	†102¼	103	−0⅛	−0¼	5.69
N. Zealand Steel 5⅜ 96	70	†101	101⅛	+0½	+1⅛	5.80
Oberos. Kftwk. 5⅛ 96	100	†102	102⅛	−0⅛	−0½	5.07
Olivetti Intl. 5½ 95	100	†102¼	103	+0⅛	−0¼	5.10
Pepsico 5⅜ 95	130	†103	103½	−0½	−0¼	4.80
Phibro-Salomon 5⅛ 97	110	*†100⅛	100⅛	0	0	5.05
Ralston Purina 5⅜ 94	125	†102⅛	103	0	+0½	4.95
Tokyo Elec. Pr. 5½ 93	120	†103¼	103½	0	+0¼	4.90
Tokyo Metropolis 5⅜ 94	80	†101½	101⅞	−0⅛	−0½	5.01
World Bank 5⅜ 94	150	†103½	103⅞	−0⅛	−0¼	5.22

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Eurofima 6⅜ 93	20	102⅝	103⅛	−0½	+0⅛	6.09
Swed. Exp. Crd. 6⅜ 96	10	102⅝	103⅛	−0⅛	0	6.21
Syntex 6⅜ 93	20	98⅝	99⅛	−0⅛	−0⅛	6.83
Walt Disney 6⅜ 96	10	103⅝	104⅛	−0⅛	+0⅛	6.08
Westinghouse 6⅜ 96	15	98⅛	98⅝	−0⅛	−0⅛	6.84

Average price changes... On day −0⅛ on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Au. 12⅜ 90 A$	50	95⅛	96⅛	+0⅛	+0¼	13.95
Creditanstalt 12⅞ 90 A$	50	98¼	99¼	+0½	+1¼	13.04
Fiat Finance 14½ 89 A$	50	100½	101½	+0⅛	+2	14.04
Swed. Ex. Cr. 13 88 A$	40	97¾	98⅛	+0⅛	+0⅛	13.76
Amex 10⅜ 90 C$	60	104	104½	+0½	+1⅛	9.47
Canad. Pac. 10⅜ 90 C $	75	104⅛	104⅝	+0⅛	+1⅛	9.13
~~CIBC 10⅛ 90 C$~~	75	†103¼	103¾	+0¼	+1⅝	9.73
Genstar Fin. 11⅛ 95 C$	75	†104	104½	+0½	−1½	10.98
Montreal 11½ 95 C$	75	105⅞	106⅜	+0¼	+1½	10.43
Ryl. Trustco 10⅜ 90 C$	75	101½	102	0	+1¼	9.87
Sears Acc. 10⅜ 92 C$	75	†104⅛	104⅝	+0⅛	+1⅛	9.67
Coca-Cola F. 17 90 NS	75	105½	106⅛	0	+0⅛	14.93
Denmark 17½ 89 NS	50	†92⅝	93⅛	−3½	−5⅝	20.75
Unilever Cp. 17½ 89 NS	50	98⅛	99⅛	0	+0⅛	17.51
Copnhagn. C. 95 Ecu	40	105⅛	106⅛	+0½	+1⅝	8.17
Eutelsat 9 93 Ecu	50	102⅝	103⅛	−0¼	+2⅛	8.39
Walt Disney 8⅛ 94 Ecu	63	104	104½	+1	+2½	8.00
Honda WW 3⅞ 90 Fl	100	105⅛	105⅝	−0⅛	−0¼	2.42
Honda XW 3⅞ 90 Fl	100	90⅝	91⅛	−0¼	−0⅛	6.49
Thyssen 7⅛ 90 Fl	50	103⅜	103⅞	0	+0⅝	6.28
Wereldhave 7½ 90 Fl	75	103⅛	103⅝	+0⅛	0	6.57
Wessanen 6⅜ 90 Fl	50	101	101½	0	0	6.41
Eurofima 11⅛ 92 FFr	300	108⅜	108⅞	0	+0¼	9.30
Amev 11 93 £	50	101⅜	101⅞	−0⅛	+1⅜	10.63
Australia Com. 11 92 £	40	103⅞	104⅜	−0⅛	+1⅜	10.04
EIB 11⅛ 93 £	50	105⅝	106⅛	−0⅛	+1⅞	9.91
GMAC UK F. 10½ 90 £	30	102⅛	102⅝	−0¼	+1½	9.71
Imp. Ch. Ind. 11¼ 95 £	100	106⅝	107⅛	−0⅛	+4⅝	10.05
Imp. Ch. Ind. 10⅜ 92 £	75	101⅞	102⅜	−0⅛	+2⅜	10.25
McDonalds 10⅞ 90 £	40	102⅝	103⅛	−0⅛	+1⅛	9.99
Mtsbshi. F. HK 11 90 £	50	101⅞	102⅜	−0½	+1⅛	10.34
NSW Treasy. 10⅝ 92 £	50	100¾	101¼	−0⅛	+1⅜	10.39
Rank Xerox 11 92 £	40	103⅝	104⅛	−0⅛	+2⅞	10.12
Royal Ins. 10⅜ 92 £	60	101⅛	101⅝	−0⅛	+2⅛	10.43
J. Sainsbury 10⅞ 93 £	60	101⅜	101⅞	−0⅝	+1⅝	10.52
Tricentrol XW 11 92 £	35	84⅝	85⅛	−0¼	0	14.86
Tathse. Forte 11½ 90 £	50	101⅞	102⅛	−0½	+1½	10.54
World Bank 11⅛ 95 £	100	108	108½	−0⅛	+3	9.83
COE 8⅞ 96 LFr	600	†99¾	100¼	0	0	8.82
N. Lux. Al. 10½ 92 LFr	600	103⅝	104⅛	0	−0⅛	9.64

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Anglia Bldg. S. 5 98 £	0⅛	99.83	99.88	14/4	11⅛
Belgium, Kngdm. of 91	0	100.13	100.23	19/8	8.06
BNP 5¼ 95	0.05	101.19	101.29	10/7	8.05
Britannia 5 93 £	0⅛	99.83	99.88	8/4	11½
CCF 5¼ 97	0	99.51	99.61	5/4	8.06
Citicorp 5 2005	0 3/16	99.06	99.16	27/3	8.04
Citicorp 5 2035	0.225	98.53	98.63	27/3	8.04
Credit Lyonnais 5 2000	0 1/16	100.19	100.29	10/7	8.06
EEC 3 92 DM	0	100.06	100.12	20/8	4.44
EEC 5 90	0 1/16	99.88	100.05	8/7	8.06
EEC 5¼ 93 Ecu	0.0312	99.82	99.92	30/4	9.91
ENEL 5 2000	0⅛	100.17	100.27	1/3	8⅛
Ireland 5¼ 97	0 1/16	100.23	100.33	28/2	8.44
Lloyds Bank Perp.	0¼	99.99	100.09	9/6	8½
Midland Bk. Perp. 5	0¼	100.05	100.15	19/6	8⅝
NatWest Perp. A	§0¼	100.13	100.23	9/7	8.31
NatWest Perp. B	§0¼	100.14	100.24	9/8	8⅛
New Zealand 5 97 £	0.07	99.83	99.93	16/3	11.57
New Zealand 5 2001	0	100.00	100.10	4/8	8⅛
Prudential Cpn. 4 95 £	0.1	99.65	99.75	5/3	11.78
R. Bk. Scotland 5 Perp.	0¼	100.17	100.27	11/6	8.44
Societe Generale 5¼ 97	0 1/16	100.05	100.15	18/3	8⅛
United Kingdom 5 92	0	100.01	100.08	7/7	8.06
Woodside Fin. 5¼ 97	0	99.47	99.57	28/7	8.19
Woolwich 5 95 £	0⅛	99.76	99.81	19/5	11.69

Average price changes... On day −0.01 on wk. +0.04

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	178⅛	179⅛	+5⅛	13.64
Comcast 7 2000	12/85	23.87	†122	123	+1½	12.49
Fanuc 3⅜ 98	1/84	7032	207½	209½	+1⅛	64.17
Fuji Hvy. Inds. 3 2000	8/86	676	108½	109½	+1⅛	5.74
Fujitsu 3 99	5/84	1320	104⅞	105⅞	−0½	11.06
Kumagai Gumi 3¼ 2000	3/85	600	†235	237	+5½	16.47
Marui 3½ 99	7/84	1162	202⅞	204⅝	−1⅛	1.02
Minolta Camera 2¾ 94	2/86	1105	98⅝	99⅝	+0⅛	23.61
Mitsubishi Bank 2⅞ 00	8/85	1768	119⅞	120⅞	−0⅛	−1.83
Mitsubishi Elec. 2⅞ 00	3/85	422	112⅛	113⅛	+0½	−0.49
Murata 3½ 2000	7/84	2398	139⅝	140½	+0⅛	23.75
Nippon Elec. 2⅞ 2000	1/85	1295	131⅛	132⅝	−1⅛	45.45
Nippon Oil Co. 3 2000	5/85	923	146⅞	148⅛	+8½	10.46
OKI Elec. Ind. 3½ 99	10/84	805	109⅜	110⅜	+0⅛	1.56
Sanwa Bank 2⅛ 2000	10/85	1486	124¼	125⅛	−0½	−1.23
Sekisui House 3 99	6/84	612	206⅞	208⅛	+6⅛	8.27
Sumitomo Bk. 2⅜ 2000	8/85	2142	112½	113⅝	−0⅛	−0.45
Sumitomo Cpn. 2⅞ 99	5/84	593	184½	185½	+3⅛	3.73
Taiyo Yuden 3¼ 2000	3/85	1078	†123	125	0	−1.67
Takeda Rkn. 3⅜ 2000	10/84	7663	*†104	106	−1	12.06
Tokyo S'yo El. 3½ 99	12/84	772	105⅝	106⅞	−0⅛	6.57
Toshiba Ceramics 3 2000	4/85	1734	106¼	107¼	−0½	−3.47
Nippon Oil 2⅜ 92 SFr	3/84	1052	†107	107½	+3⅛	13.17
Nip. Shinpan 2 92 SFr	3/84	801	†170½	171½	+11⅝	22.85
Asics 5 92 DM	12/83	520	109⅞	111	−0⅛	13.36
Renown 3⅛ 90 DM	3/85	675	116⅛	117⅛	0	−0.66

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month: § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in Currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Alex Nicoll examines the prospects for an alternative source of borrowing

London hopes for sterling paper market

BANKERS in London are hoping that Mr Nigel Lawson, the Chancellor of the Exchequer, will open a new market in sterling-denominated commercial paper in his Budget on Tuesday.

In this they may be being little over-optimistic. But the Bank of England and the Treasury have held discreet talks over the past few months with banks which might be expected to act as arrangers and dealers in the new market, and with corporate treasurers who might borrow and invest on it.

The Bank of England is understood not to oppose a commercial paper market, provided proper standards of investor protection are set. The Treasury is expected to permit it, if not as early as next week, then within the next few months.

The big question, therefore, will be whether commercial paper will represent a cheaper and more flexible source of funds than the other instruments already available to UK companies, notably the highly efficient bankers' acceptances market. If it is not, commercial paper could be a damp squib and would mark yet another failure to stimulate a domestic corporate debt market.

The cheapness or otherwise of the new instrument may depend on changes in the Bank of England's conduct of monetary policy. The new market, if successful, might also have other monetary implications. Mr Roger Bootle, chief economist at Lloyds Merchant Bank, says the key monetary aggregate, sterling M3, would be reduced to the extent that companies substituted commercial paper for bank borrowing, and could be made irrelevant if the flexibility of the instrument caused a significant increase in corporate borrowing.

Issues of commercial paper—short-term, unsecured, tradable notes—denominated in sterling are banned because the Banking Act would treat borrowers as unlicensed deposit-takers. This bar could easily be lifted, however, as the Chancellor did in last year's Budget to allow issues of between one and five years' maturity—an opportunity not a single borrower has seized.

Some $270bn of commercial paper is outstanding in the US, accounting for 15 per cent of corporate short-term funding. Programmes totalling over $15bn have been arranged in the Euro-commercial paper market, which is centred in London.

Though the discussions in Britain have been held in secret, British clearing and merchant banks as well as foreign banks active in the Euromarkets have been openly gearing up to launch the new instrument when the Treasury's starting gun goes off. Amid the worldwide trend towards securitisation of debt and disintermediation of banks, they see it as another way to earn fees and remain prominent in lending, while keeping loans off their balance sheets.

The talks have produced a lively debate about the desirability of commercial paper.

The Bank of England is not likely to oppose a commercial paper market with suitable investor protection and the Treasury is expected to permit it. But such a market could prove to be a damp squib and yet another failure to stimulate a domestic corporate debt sector.

Some merchant banks which thrive on the bread-and-butter business of accepting bills are understood to have felt that a rival market would be unnecessary and unwelcome, removing liquidity from the highly efficient existing market. There have been differences of views not only within individual banks, but also within the Bank of England.

It should not be assumed that the new market will take off. Bankers' acceptances account for 35 per cent of sterling lending to UK commercial and industrial companies, and are a particularly cheap source of finance because of the Bank of England's use of them in executing monetary policy.

From 1981 until the policy was scrapped last year, the British Government issued more gilt-edged stock than was necessary to meet its borrowing requirements. It has also kept Treasury bill issues low, and offsets shortages in the money markets by buying eligible accepted bills. As a result, a bill mountain grew from £2bn in 1981 to £14bn at the end of last year. Official activity in the acceptance market drove yields down below the best bank borrowing rates and made it an extremely cheap source of funds for corporate borrowers.

Figures compiled by County Bank, the merchant banking arm of the National Westminster Bank, show there has been no preceptible narrowing in the yield spread between London interbank rates and the eligible bill rate since the Government stopped over-funding, though the picture is distorted by turbulence in the money markets early this year.

NatWest argues in a recent commentary: "Before launching a sterling commercial paper market, the monetary authorities must consider how to intervene in the money markets without continuing to subsidise borrowing costs in the acceptance market." Direct lending to banks or expanded Tresury bill issuance would be alternatives, it says.

NatWest expects commercial paper to be priced on a benchmark of London iterbank bid rates (Libid), and says it will be a competitive borrowing source only if Libid does not exceed the eligible b ill rate by more than about 0.06 percentage points (six basis points). The relationship has swung widely on both sides of this level, particularly in recent months, though the average gap between the two rates has been greater than six basis points.

If the effective subsidy were removed, bankers argue, arbitrage between the commercial paper and acceptance markets would quickly iron out discrepancies between them. Commercial paper would have the advantage, particularly for financial institutions seeking short-term finance, that it does not have to be backed by trade transactions as do acceptances. It would almost certainly be cheaper than straight forward bank loans, and would be flexible in that paper could be issued for any maturity up to 365 days.

It is likely that investors, who will include other companies with short-term surplus cash to invest, will want a credit rating system to develop, as in the US. Issuers, though they will probably be required to have their shares listed on the Stock Exchange, are likely to have to publish and keep up-dated a short-form prospectus for commercial paper issues. It is not clear whether stamp duty will apply to commercial paper.

Liffe launches two interest rate options

TWO NEW interest rate options were launched yesterday on the London International Financial Futures Exchange (Liffe).

Mr George Nissen, chairman of the Gilt-Edged Market Makers' Association, range the bell, first to begin trading in options on Liffe's US Treasury Bond futures contract, and then for options on its UK long gilt future contract.

Recent record volumes in both the futures contracts, amid the strength and hectic activity of all UK financial markets, appear auspicious for the new options. Trading in futures and options is also expected to increase as the Big Bond restructuring of UK markets takes place this year.

Of the 29 firms which plan to be primary dealers in the new gilts market, 28 are Liffe members. Most primary dealers in the US government securities market are also members of Liffe.

Liffe's volume growth and an increase in the number of "locals" — individuals who attempt to make their living in the pits—have pushed seat prices on the exchange to a record £85,000, up from £72,000 in January. The price of options membership has also been edging higher.

Tht Stock Exchange already trades options on selected gilts, and the Chicago oBard of Trade has actively traded options on its successful US T-Bond futures.

Japan to lift issue limit on foreign offshoots

By Yoko Shibata in Tokyo

JAPAN'S Ministry of Finance is to remove the ceiling on bond issues by local companies' overseas subsidiaries to give them more flexibility in raising funds.

At present overseas subsidiaries of Japanese corporations are not allowed to issue foreign bonds above the limit set on parent companies' debenture issues. The ministry will not permit funds raised by overseas offshoots to flow back freely into Japan.

A subsidiary of Idemitsu Kosan's Bahama, the country's largest unlisted oil refiner, will shortly issue Swiss franc debentures for private placement on the Swiss market, that total four times the ceiling on its parent company. The issue will be lead managed by Union Bank of Switzerland with Tokai Bank, Sumitomo Bank the Bank of Tokyo and Sumitomo Trust and Banking as a co-manager.

The decontrol is expected to encourage overseas subsidiaries of big unlisted companies with small capital such as Suntory, whisky distiller, and Yoshida Kogyo, the world's largest zipper maker, to float more bonds.

$200m paper for Tenneco

TENNECO, the US energy and engineering group, is to launch a $200m Eurocommercial programme later this month, writes Peter Montagnon, Euromarkets Correspondent.

Dealers will be Merrill Lynch, Capital Markets, Morgan Stanley and Shearson Lehman Brothers.

Also tapping the market is Honda Motor Company of Japan. It has appointed Morgan Guaranty and Shearson Lehman to act as dealers in a $50m programme.

Tax cuts urged to revive Swiss market

BY WILLIAM DULLFORCE IN GENEVA

THE SWISS Federal Council (government) is considering changes in taxation that could lead to the opening of a money market and revive Eurobond business in Switzerland.

Hints that the Government might be prepared to act are contained in a report to the Federal parliament, spelling out the consequences to the Treasury of proposals or relaxing stamp duty and withholding tax put forward by the Bankers' Association.

The upper house of parliament, after a first reading of the government report yesterday, voted in favour of a reduction in duties and sent its motion on to the lower house.

Swiss bankers claim that duties on deals in securities and other charges diminish Switzerland's competitiveness as a financial centre and result in a loss of business to foreign centres such as London, Frankfurt and Amsterdam, where regulations and charges have recently been eased.

The report firmly backs the line taken by Mr Otto Stich, Finance Minister, that any loss of revenue to the Federal Treasury from changes in stamp duties must be replaced by other sources of income. The Treasury's receipts from stamp duty amounted to SFr 1.87bn ($970m) last year.

Within that framework, however the Government report envisages the possibility of reducing charges on money instruments with maturities of up to three months. It prefers the introduction of a pro-rata system for short-term paper up to 12 months, which it estimates would cost the Treasury between SFr 160m and SFr 180m a year, rather than the reduction to zero of the duty on paper of three months or less suggested by the bankers.

The Government is setting up a working party to examine the possibility. The change would open the way for the development of the money market which does not exist in Switzerland at present, but which both the banks and the National Bank would like to have available.

So little Eurobond business is conducted in Switzerland that the Federal Treasury receives only some SFr 20m in stamp duty from it. The report recognises that abandoning the duty could bring a substantial increase in income from direct taxes, if the Swiss banks could exploit the relief to bring back part of the market to Switzerland.

It acknowledges as well that more direct tax revenue might be generated if by removing the sales tax on physical gold transactions more of that business could be attracted to the country.

The report acknowledges that removing withholding tax from interbank credits would bring only an insignificant loss in Treasury revenues but could have a positive effect on the Swiss financial centre.

This measure would be quite important for the banks which are resorting increasingly to the interbank market, as compulsory savings schemes sap the growth in bank deposits.

The Government offers no prospect of a cut in stamp duty on the foreign-to-foreign securities business done through Swiss intermediaries, which currently provides the Treasury with between SFr 650m and SFr 900m a year.

The Bankers' Association has welcomed the Government's show of flexibility of the four other items but dismisses outright the report's suggestion that compensatory revenue for the Treasury might be raised through charges on fiduciary business and time deposits.

Fresh political moves to frustrate Bell's BHP bid

BY LACHLAN DRUMMOND IN SYDNEY AND EMILIA TAGAZA IN CANBERRA

BELL RESOURCES' partial takeover bid for Broken Hill Proprietary (BHP), Australia's largest company, encountered further resistance yesterday when opposition parties decided to oppose government amendments to the Trade Practices Act in the Federal Senate in a move that would facilitate a government inquiry into Bell's bid.

Meanwhile, overnight buying of Bell Resources in London was expected to have completed BHP's A$150m (US$105.6m) push for a 20 per cent holding in Mr Robert Holmes à Court's bid vehicle. The stake would allow it to upset elements of Bell's takeover planning for BHP.

J. B. Were, BHP's stockbroker, yesterday picked up almost 12m shares at A$5.50 each. The shares would give BHP the voting power to stop a resolution to be put to a Bell Resources shareholders' meeting next Tuesday seeking approval for the placement of 120m shares to Bell Group, its controlling shareholder.

Macquarie Bank, which is advising BHP, said the shares were not being sought solely to block the placement resolution —on which Bell Group itself cannot vote—as there were longer-term but unspecified plans for the stake.

The purchases have increased speculation that BHP may take the unpalatable step of making a takeover offer for Bell Resources as a means of removing the bid threat. Bell Resources' assets consist of entitlements to 16 per cent of BHP plus interests in coal and oil businesses operated or owned by BHP.

Mr Holmes à Court, Bell's chairman, reiterated his view that failure of the placement resolution would not harm Bell's takeover offer. He welcomed BHP as a shareholder.

The long-promised amendments to monopolies legislation which would have removed the possibility of a Trade Practices Commission inquiry into the transfer of control of BHP's steel monopoly may, however, now be some months away.

The existing legislation provides for an inquiry into the takeover of a monopoly company. But the government amendment, which had already passed the Lower House, would allow the transfer of a monopoly without an inquiry.

The small Australian Democrats Party said yesterday it opposes the change. The conservative coalition, with which it forms a majority in the Upper House, last night added its support

Coles Myer tops expectations

BY OUR SYDNEY CORRESPONDENT

COLES MYER, the large retail group formed from the merger of Australia's biggest supermarket chain and the country's largest department stores group, achieved net trading earnings of A$115m (US$80.9m) in its first half-year as a combined operation.

The aggregate profit is in excess of market expectations but the per share total of 24.87 cents is below these. Both reflect a market miscalculation of the mix of shares and cash acceptance of the Coles takeover offer for Myer.

The result includes a 19 per cent increase in net trading profits from the Coles side to A$76.9m but a 10 per cent decline to A$38.4m from Myer. Sales at Coles were 12.4 per cent higher at A$3.51bn while those at Myer advanced 5 per cent to A$1.88bn.

The Coles business grew strongly, and Myer's New South Wales department stores and its national speciality clothing operations also did well. But Myer department store interests performed below expectations.

The combined interest bill was up A$20m to A$77.8m after a $16m increase for Coles.

The combined result was after tax of A$93.4m against a reconstructed total of A$88.5m. The net total was struck before A$45m of extraordinary losses stemming from a write-off of goodwill. The dividend is 8 cents a share.

Simpson back in the black

By Our Sydney Correspondent

SIMPSON HOLDINGS, the Australian white goods group at the centre of a two-way takeover struggle, has recovered from a A$4.6m (US$3.2m) net loss to A$1.3m profits for its December half-year.

The improvement came after a A$1.7m drop in interest charges to A$1.42m, as well as a A$3.3m reduction in losses from its refrigerator and fitted kitchen offshots and an $2.5m improvement from its other appliances and timber division.

Sales were down A$8.8m at A$104.9m as a result of asset sales.

Hoover Australia, a division of the US group, is bidding A$48m for Simpson, equal to A$1.50 a share and rivalling a previous A$1.30 per share offer from Email, another white goods group.

Nissan to cut salaries 10%

NISSAN MOTOR is to cut salaries for its executives by 10 per cent from April 1, amid flat unit car sales and a continued deterioration in export profitability caused by the rise of the yen, writes Yoko Shibata in Tokyo

This is the first such cut since the company was founded in 1933.

Wormald raises earnings by 20% at six months

BY OUR FINANCIAL STAFF

WORMALD, Australia's leading fire prevention and security group, achieved a 20.3 per cent rise in net profits to A$13.85m (US$9.75m) for the first half to December, a period which was marked by the entry of Malaysian and mainland Chinese interests as key shareholders in the company.

Mr Lee Ming Tee, a Malaysian Chinese entrepreneur now resident in Australia, was yesterday invited to join the Wormald board. Last November he launched a bid for the company, but this did not secure him control and his stake, following return of acceptances, will revert to 35.4 per cent.

In addition, the Chinese-controlled Hongkong Macao International Investment Company has an 8.6 per cent holding.

Sales were ahead 23.2 per cent at A$485.84m, and the interim dividend is being maintained at 10 cents a share.

Competition hits Protea

BY JIM JONES IN JOHANNESBURG

PROTEA ASSURANCE, the South African subsidiary of the UK's Sun Alliance, suffered a sharp increase in its underwriting loss in 1985.

The company merged with Phoenix Prudential Assurance at the start of 1985, which led to an increase in short-term premium income to R92.5m ($46.6m) from R45.9m and which contributed almost half of the increase in the underwriting loss to R10.2m from R425,000.

Investment income was R9.6m against R4.3m, and Phoenix Prudential contributed R4.3m of the increase.

Life premium income rose to R7m from R6.2m, the life fund increased to R76.1m at the end of 1985 from R62.8m at end-1984 and shareholders' share of life profits was R189,000 against R117,000.

The directors are disappointed with the underwriting result but say that the position should improve this year. Short-term insurers have been affected by continued strong competition for market share, which has been reflected in finely set premiums, and significant increases in the frequency and cost of claims.

The dividend has been maintained unchanged at 18 cents a share even though per share earnings fell to 10.8 cents from 50 cents.

Flat year for Arab Bank

By Rami Khouri in Amman

THE Amman-based Arab Bank had a flat year in 1985, reflecting stagnant economic conditions throughout the Arab world and fluctuating global exchange rates.

Net profit after taxes and allocations for internal reserves was 25m Jordanian dinars ($68m) against JD 25.5m, and it paid a dividend of JD 3.5 per share. The JD 10 par value shares are trading on the Amman Stock Exchange at around JD 137.

The bank's balance sheet total declined slightly from JD 3.78bn to JD 3.68bn.

Shareholders' equity increased from $473m to $576m, with capital rising from $64.5m to $72.5m.

The bank suffered a sharp drop in income denominated in foreign currencies, from $31.5m to $18.6m, largely due to the rise of the value of the Jordanian dinar against the dollar and against the Lebanese pound. More than half the bank's deposits are in dollars and other foreign currencies.

The worldwide Arab Bank group maintained its profitability by increasing its loan portfolio from JD 873m to JD 950m, most of which is outside Jordan. It also reduced expenses and provisions from $155m to $131.4m.

The bank is one of the dozen largest privately owned banks in the Arab world.

Worldwide subsidiaries and associated companies increased the total balance sheet from $12.4bn to $13.5bn, although total income dropped from $220m to $206m. Net profit before appropriations increased from $65m to $74.4m.

Century City in talks to acquire Paliburg

By David Dodwell in Hong Kong

CENTURY CITY Holdings, an ailing Hong Kong Property group controlled by Mr Lo Yuk Sui, is negotiating to acquire Paliburg Investments, a property development group reconstructed during the past two years by Mr Bill Wyllie, the Australian entrepreneur who is chairman of BSR, the British electronics group.

Share dealings in both groups were suspended on Hong Kong's stock exchanges yesterday, ahead of a full announcement which is unlikely until Monday. Paliburg shares were suspended at HK$4.30 a share, which would give the group a market capitalisation of HK$420m (US$53.8m).

Century City faced a winding up petition last year which led to a company reconstruction. Turnover has fallen to HK$7.3m in the year ended June 1985, compared with HK$109m in 1982. From pretax profits of HK$22m in 1982, the company has since incurred steady losses — more than HK$164m in 1983, but a more controllable HK$15.5m last year. No dividend has been paid since 1982.

Over the past two years Mr Lo has had close links with Mr Wyllie, and is managing director of Paliburg as well as chairman of Century City.

Century City already has an undisclosed but significant holding in Paliburg. At the same time, Paliburg holds an 11 per cent stake in Century City. After a reconstruction completed late last year, Paliburg has a 40 per cent controlling stake in the Regal Hotels group.

Barclays Kenya 19% ahead

By Mary Anne Fitzgerald in Nairobi

BARCLAYS BANK of Kenya has declared record pre-tax profits of £8.19m ($5.6m) for 1985, a rise of 19 per cent over the previous year. The performance precedes the public flotation of 5m shares in April, expected to fetch about £3.4m.

The landmark issue will be the largest to appear on the Nairobi Stock Exchange in a decade. It will effectively pass 30 per cent of the bank's equity to Kenyan ownership.

The bank's capital base rose by 20 per cent last year to £16.1m, while a comparatively modest dividend of about £1.2m has been recommended.

The expansion of the bank's capital base anticipates the implementation of recent amendments to Kenya's banking law which lifts the ratio of commercial banks' capital to deposits from 5 per cent to 7.5 per cent.

The Kenyan subsidiary is the top-ranking commercial bank both in Kenya and East Africa. It has more than 60 branches which handle 30 per cent of the commercial bank savings account business in Kenya, the annual report states. It is a leader in lending to agriculture

R.Dutch/Shell net income falls 17%

BY MAX WILKINSON

THE Royal Dutch/Shell Group of companies yesterday reported a 17 per cent reduction in net income to £3.03bn for 1985, following the record £3.65bn for 1984. Final quarter figures showed £863m, against £910m.

However, a large part of the fall between the two years reflected currency movements. On a current cost accounting basis and allowing for the currency movements the underlying performance in 1985 looks at least as good as in the previous year.

Mr Peter Holmes, chairman of Shell Transport yesterday described the results as "an impressive performance" taking account of the difficult circumstances of 1985.

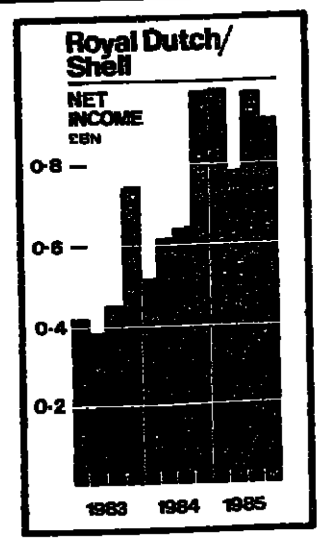
Current cost after tax earnings in 1984 were £3.13bn, some £230m lower than in the previous year.

Shell Transport and Trading is proposing a final dividend of 22.5p representing an increase of 6.6 per cent compared with the final dividend for 1984. For the year as a whole the recommended dividend of 35p per ordinary share is 6.1 per cent higher than a year ago. Earnings per ordinary share fell by 20 per cent from 127.5p to 101.5p.

The year's after-tax profit was after currency losses of £396m mainly reflecting the weakening of the dollar. In comparison with 1984, when the group enjoyed a £91m currency gain, the adverse swing was £487m.

The group has made a special deduction of £350m for the year to reflect restructuring costs, including the closing of its operations in Curacao, the planned closure of its refinery in Pauillac, France, further reductions in te marine fleet and rationalisations in chemicals coal and metals operations.

Mr Peter Holmes, chairman of Shell



The falling oil price has also led to a £100m write down in the value of inventories at the year end. This follows the pattern of other large oil companies, most of which have announced writedowns for last year.

For the fourth quarter of last year the Royal Dutch/Shell group recorded at 12.7 per cent reduction in sales to £17.94bn (£20.55bn) although for the year as a whole, total sales were down by less than 1 per cent at £73.1bn (£73.81bn).

Shell Oil, the US subsidiary, contributed £1.09bn to the group's profits, £18m less than in the last year. It showed a 7 per cent fall in its net income indollars for the year as a whole despite an improvement of 12 per cent in the final quarter compared with 1984.

The company says that lower prices for crude oil, natural gas and chemicals contributed to the decline for the year, although these were offset by the effects of a lower windfall profits tax, higher sales volumes for refined products and natural gas towards the end of the year, and the settlement of disputes over natural gas contracts.

The group generated funds of £8.82bn for the year, little changed from the figure in 1984. Its working capital declined by £1.02bn reflecting the reduction in invetories and re-organisation of operations in Japan.

Capital spending and the cost of exploration for the year was £6.74bn, 20 per cent higher than the figure for 1984. But this rise mainly reflected the $800 payment towards a 50 per cent share in Occidental's Colombian oil interests.

The group paid off £731m of debt in the year excluding its operations in Japan, reducing its long-term debt ratio to 18 per cent compared with 21 per cent at the end of 1984.

Pre-tax earnings from exploration and production rose 4 per cent for the year compared with the 1984 level to almost exactly £3bn. For the group excluding North American subsidiaries the figure was £1.9bn, while the US Shell Oil and Shell Canada's combined exploration and production earnings were £1.09bn.

Earnings from chemicals outside North America declined by 32 per cent to £143m despite a record volume of sales.

Royal Dutch Petroleum is paying a final dividend of Fl 8.3 on its ordinary shares with a total dividend of Fl 12.8 for the year as a whole compared with Fl 10.6 in 1984. The Royal Dutch share of group income fell from £2.24bn in 1984 to £1.92bn.

See Lex

BBA's organic growth sees profits soar

BBA Group, the West Yorkshire-based maker of friction materials, conveyor belting and industrial textiles, saw pre-tax profits rise by almost 2½ times on turnover up by 30 per cent in the year to the end of December 1985.

The company says that the sales increase was generated by acquisitions, but the improved profit was mainly from original companies. During the period BBA made a number of purchases including Synterials, Uniroyal's rubber belting business in North America, the automotive interests of Cape Industries and the woven belting business of Dunlop.

Turnover rose from £176.11m to £229.51m, with pre-tax profits coming out at £13.06m, against £5.44m last time. From earnings per share of 8.27p (0.88p) the directors are recommending a final payment of 1.16p (0.9p), making a total for the year of 2p (1.74p).

Trading profit was £13.48m (£6.4m) with other operating income and share of related companies adding a further £3.62m (£2.65m). Pre-tax figure was struck after net interest charges of £4.05m (£3.62m).

Mr Charles Fenton, chairman, says the profit improvement was spread over both automotive and industrial activities. The automotive side was helped by the closure of loss-making operations in the UK and South Africa while the industrial section benefited from improvements in the UK and US textile businesses and a contribution from the Uniroyal acquisition.

The operating profits would have been higher by more than £1m but for adverse currency movements.

Sales by UK companies advanced by 34.3 per cent with overseas companies seeing 28.2 per cent growth. Exports, representing more than 28 per cent of UK sales, improved by 38 per cent.

Shareholders' funds increased substantially as a result of the £8m rights issue in March, the shares issue to buy Synterials and the 1985 retained profits. Gearing fell from 60.8 per cent to 48.9 per cent, the 1984 figure having been restated

● comment

BBA has beaten its profits forecast made in January by a large enough margin to keep its investors happy — not that dissatisfied shareholders are something that the company has many of. The shares have risen four-fold since the beginning of last year as the new management of Dr John White has turned old loss-makers around, and has bedded down happily the recent additions of Cape, Uniroyal and Synterials. However, it is the future benefits from the acquisition of Automotive Products, BBA's most ambitious move yet, that explains the latest enthusiastic surge in the shares, up from a pre-acquisition share price of 165p to 225p yesterday. There is great industrial appeal to the deal, which introduces BBA to new markets, new products and new customers as well as increasing its clout in existing areas. On pre-tax profits of £32m this year a p/e ratio of 19 suggests that the market is well aware of the company's potential.

Wordplex shares fall 33p on £3m loss

By Charles Batchelor

THE stock market wiped more than one-third off the value of Wordplex, the office automation systems group, after it revealed an expected pre-tax loss of £3m in 1985 and the resignation of Mr Harry Mallinson, its chief executive.

Wordplex's shares fell 33p to 55p yesterday to reduce its market capitalisation from £9.4m to £5.9m. The company obtained a full stock exchange listing in April 1984 at a striking price of 285p.

Mr John Heywood, chairman, announced that trading conditions had been much more difficult than was foreseen at the time of the interim announcement last September.

Wordplex did not make a profit in the second half of 1985 and it expects to report a pre-tax loss of about £3m with an additional extraordinary charge of about £1m to meet the cost of last year's transfer of manufacturing and assembly operations from California to the UK.

In the past 48 hours the Wordplex board has begun a review of operations and a revised operating plan is being drawn up.

Mr Mallinson, a joint founder of the company about 10 years ago, has agreed to step down as chief executive and director. A compensation payment is being discussed.

Wordplex was hit by currency movements, the costs of an ambitious plan to convert foreign distributors into subsidiaries and the slower-than-expected introduction of its 8000 System, an office automation network, alongside its existing stand-alone word-processors.

Wordplex employs 900 people, half in the UK.

Managers offer £22m to buy Raybeck

By Martin Dickson

PROPOSALS for a novel £21.6m management buy-out were announced yesterday at Raybeck, the quoted fashion clothing manufacturer and retailer.

The offer is the fourth management buy-out attempted at a quoted UK company but the first to be launched by managers of group subsidiaries rather than members of the main board.

The team is led by Mr Alan Devine, managing director of Raybeck's principal subsidiary, Berkertex, a manufacturer and retailer of bridal and fashion wear, and Mr Barry Waterman, financial controller of Raybeck. Mr Devine will become managing director, while the non-executive chairman will be Mr Trevor Morgan, an ex-chairman of Timpson, the retailing group.

The buy-out is backed by a group of institutional investors including Candover Investments, Globe Investment Trust, Electra Investment Trust, Securities Trust of Scotland and Scottish Eastern Investment Trust.

The terms are 447p in cash for every 10 ordinary shares and 115p for each preference share. Warrant holders will be offered 30p for each warrant. Raybeck shares closed up 1p at 45p.

Coloroll cash plan for Staffs

By David Goodhart

Coloroll, a designer and manufacturer of home fashion goods, yesterday said it would invest between £2m and £3m in Staffordshire Potteries to relieve its debt burden and provide finance for growth.

The promise came in Coloroll's offer document for the company, along with a stinging critique of Staffordshire Potteries recent performance.

Coloroll had hoped to reach an agreed merger with Staffordshire but the deal broke down —amidt acrimonious comments —just prior to completion.

Mr John Ashcroft, chairman of fast-growing Coloroll, said that the company was developing packages of home fashion products for retailers—including furnishings, tiles, ceramics and carpets—into which Staffordshire's products would fit well.

He also pointed out that Coloroll derives almost half its earnings from North America and the major UK ceramics manufacturers derive on average 40 per cent, but Staffordshire Potteries makes only 8 per cent from the US.

Jaguar improves by £30m and gains sales worldwide

Jaguar, the Coventry-based luxury car group, moved up a gear in the second six months and for the full 1985 year saw its profits surge by £29.8m to £121.3m pre-tax.

The 33 per cent growth in profits was achieved through increased production and sales, continued improvements in manufacturing efficiency and favourable exchange rates secured on US dollar income as a result of the group's currency hedging programme.

Worldwide sales increased by 15 per cent to 37,952 (32,956) units. Record sales were achieved in continental Europe (up 38 per cent) with substantial increases in Germany, Austria, France and Spain.

Canadian sales increased by 27 per cent and in the US, the group's biggest market, sales rose by 10 per cent to 20,130 units.

The steady growth in the UK over the past few years continued with sales of over 8,000 units being the highest since 1978.

In order to meet the continuing high demand for its cars production in 1985 was increased by 15 per cent to 38,500 units with productivity improving to 3.8 cars per employee, compared with 3.6 in 1984.

Group turnover for 1985 improved from £634.1m to £746.5m. Tax accounted for £33.7m (£34.4m) to leave net profits £30.5m ahead at £87.6m.

Earnings emerged at 48.5p (31.7p) per 25p share and a final dividend of 5.6p makes a net total of 8.6p. The group, formerly a subsidiary of BL, was sold back to the private sector in 1984. It paid a first interim of 4.75p for 1984 in lieu of a final.

The results for the past year were well below the £125m-£130m the City had been expecting, but nonetheless, the group's shares closed yesterday 13p higher at 468p, after 470p.

The directors say the balance sheet remains extremely strong, with a positive inflow of cash during 1985 boosting cash and short-term investments from £100.3m at end-1984 to £156.2m at December 31 1985.

They point out that this was despite sharply increased capital expenditure at £57.2m (£38.1m). The group is budgeting for around £94m this year and over £100m next.

Mr John Egan, the group's chairman and chief executive said yesterday that the launch of the XJ40 would be either this year or next.

He warned, however, that in launch year there would be considerable fixed costs as well as the costs of the pre-launch build up of stocks. Launch year would be a "flat year," he said, but the year after "we should continue to grow in earnings and sales volumes."

Commenting on reports suggesting that General Motors, through nominees, had built up a 15 per cent holding in Jaguar Mr Egan said he could say with "absolute certainty" that there was no evidence of such a stake.

Around 40 per cent of Jaguar's shares are held in American Depository Receipts by some 6,000 investors.

See Lex

Rowntree's strong second half

A STRONG second half at Rowntree Mackintosh, confectionery manufacturer, has helped it overcome the profit dip suffered at midway, and the company finished the 1985 year with taxable profits of £79.3m, a rise of £4.8m over the comparable period.

The result for the period to December 28 was ahead of analysts forecasts of about £75m, and the company's shares were marked up 11p on the day to close at 456p.

Mr Kenneth Dixon, the chairman, said that the company made significant progress in its two most important markets: in the UK, where trading profit showed a growth of 16 per cent to £45.3m; and in N America, where all group companies increased their profits for an overall rise of 18 per cent to £37.2m.

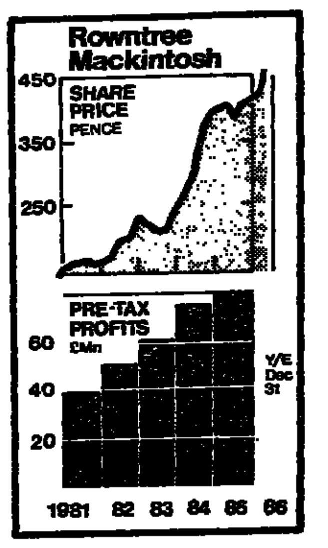
The dividend for the year is lifted from 11p to 12.2p with a final of 8.2p per share (7.4p). Earnings per share were maintained at 36p, after a higher tax charge £18.6m (£16.5m).

Turnover rose from £1.16bn to £1.21bn, and produced trading profits of £101.3m against £93.8m. Interest costs were up from £19.3m to £22m. If the company had used 1984 average exchange rates taxable profits would have been £2.8m higher.

Mr Dixon said: "We are continuing to search for appropriate acquisitions, with North America still the priority area." He added that opportunities in other parts of the world would still be investigated.

He said that the balance of the group and the quality of its management leaves it well placed to satisfy its ambition of achieving profitable growth.

Reviewing the year's trading, the chairman said that the UK confectionery division, though, experiencing some decline in volume and market-share, again increased its trading profit by substantially more than the rate of inflation. Kit Kat achieved record sales. Recent introductions of Eclipse and Novo "will continue to keep the division in the forefront of the UK confectionery market."



The grocery and snack food companies both performed well.

Rowntree Mackintosh Sun-Pat had another successful year with a 6 per cent increase in sales volume and a substantially better financial performance in terms of trading profit, cash flow and returns on turnover and net assets. Sooner Foods achieved 8 per cent growth in sales volume.

All companies which were in the North American region for the full year had record profits in spite of difficult trading conditions and a very competitive environment. Royalties received from Hershey Foods were at a record level.

Profits at Tom's Foods increased and were in line with expectations despite severe competition particularly in crisps.

Since the acquisition last year of The Original Cookie Company profits have been in line with predictions. It has 165 stores with between 30 and 40 more planned for the US and Canada this year. Both Rowntree Mackintosh Canada and Laura Secord, with its specialist chocolate retail shops, turned in higher profits.

Elsewhere the group had mixed fortunes. In Europe profits fell from £4.7m to £3.4m, with the largest fall coming in France. In the rest of the world outside Australasia, profits slipped from £16.9m to £13.1m.

Extraordinary items—rationalisation and closure costs—rose from £11.5m to £16.5m. Mr Dixon said that as yet he foresaw no further such costs in 1986.

See Lex

Victoria Wine in £24m deal with Stakis

By Lisa Wood

The Victoria Wine Company, Allied Lyons specialist off-licence chain, is to pay £23.5m cash for 146 outlets in Scotland and the north of England, owned by Stakis, the hotel and casino group.

Allied said the addition of the shops, trading under the name of Haddows, would increase the turnover of Victoria Wine by £60m to about £380m at current annual rates and strengthen its position in these regions.

Over the past few years, Victoria Wine has made efforts to improve its profitability by changing is image and introducing modern management techniques into a business which has suffered from the onslaught of supermarkets competition.

The off-licence chain is one of Britain's two biggest—the other belongs to Bass, Britain's biggest brewer—and has now completed the introduction of electronic point of sale equipment, which will be installed in the new acquisition.

Sir Derrick Holden-Brown, chairman of Allied Lyons said: "This purchase fits well with our existing operations and reaffirms our commitment to remain the leader in the important multiple wine and spirit specialist retail market. Great benefits accrue to other companies within our integrated group from our involvement in that market."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Appleyard Group	3.5	May 16	3	5	3
BBA Group	1.16†	July 7	0.9†	2	1.74
Bridport-Gundry ......int	1.65	—	1.45	—	5
Cattle's	1.08	May 9	0.9	1.8	1.5
Wm Collins	5.38	May 22	4.5*	7.75*	6.5
Hawtal Whiting‡	7	—	1.5	7	1.5
Leisuretime Intl	1.15	—	1.1	2.3	2.1
Jaguar	5.6	May 15	4.75	8.6	4.75
New Darien	0.63	—	0.33	0.63	0.33
Rowntree	8.2	—	7.4	12.2	11
Royal Dutch	8.3¶	—	6.75	12.8	10.6
Sedgwick†	7.75	May 2	7	11	10
Shell Transport	22.5	May 22	21.1	35	33
Tod‡ ......int	1.3	May 6	1.1	—	2.75
Tyne Tees TV‡	10.13‖	—	7.5	13.13‖	10.5

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Florins throughout. ‖ For 15 months.

NOTICE OF REDEMPTION
to holders of

BARCLAYS BANK PLC

(formerly Barclays Bank International Limited)

9⅛% Capital Bonds 1987

NOTICE IS HEREBY GIVEN that in satisfaction of the obligations imposed by Condition 5(a) of the Terms and Conditions applicable to the Bonds, the Bonds bearing the serial numbers listed below have been drawn in manner approved by the Trustee for redemption on 15th April 1986 at their principal amount.

5	11	12	15	16	18	19	80	81	82	83	84
85	86	87	88	207	209	211	212	227	228	232	233
235	237	238	239	271	272	274	277	278	281	282	284
294	347	348	349	351	354	356	359	361	366	367	368
369	372	376	394	395	396	397	398	399	401	402	403
404	405	406	407	409	410	412	414	418	419	420	421
429	430	431	432	435	449	450	451	453	454	466	482
483	520	521	522	524	525	526	527	528	547	1230	1231
1232	1308	1309	1310	1311	1312	1313	1316	1317	1319	1322	1326
1329	1330	1331	1333	1334	1336	1340	1341	1346	1347	1348	1349
1352	1353	1354	1355	1356	1357	1358	1359	1360	1361	1362	1363
1364	1365	1366	1367	1368	1369	1370	1376	1377	1378	1381	1382
1383	1386	1389	1390	1394	1397	1401	1402	1403	1404	1406	1408
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1440	1441	1442	1444	1445	1448	1450	1452	1453	1454	1457	1458
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Bonds not listed above are not affected by this redemption.

Bonds drawn for redemption will become due and payable on 15th April 1986.

Payment of the Bonds drawn will be made upon presentation and surrender of such Bonds with Coupon No.11 at the office of one of the Paying Agents or at the holders' option at Barclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street, London EC3. Coupon No. 10 (due 15th April 1986) should be detached and encashed in the usual manner.

Interest on the Bonds drawn will cease on and after 15th April 1986.

BARCLAYS BANK PLC March 1986

UK COMPANY NEWS

BT at £1.3bn despite slowdown in call income

BY JASON CRISP

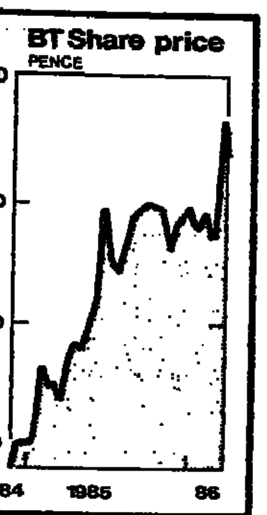
British Telecom's pre-tax profits rose £62m to £448m in the third quarter ending December 1985, bringing the total for the first nine months of its financial year to £1.33bn.

The main reason for the improvement in profits during the quarter was an 11 per cent increase in rental income which made up for a disappointing growth in telephone calls. Rental rose because of an increase in the number of telephones, together with a price rise.

There was a significant fall in the growth of both international and inland calls which has led BT to lower its expectations for turnover in the second half of the year. International calls grew by only 10 per cent in the third quarter compared with the 14 per cent rate achieved in the last financial year. The increase for the first nine months of this year was 12 per cent. BT said the main reason was fewer calls being made to Britain from oil producing states, particularly the Middle East.

In spite of a 3.7 per cent increase in telephone lines the volume of inland calls only grew about 6 per cent in the quarter. This compares with the 8 per cent growth achieved in the last full financial year and 7 per cent for the first nine months this year. BT believes the fall was because the third quarter ending December 1984 coincided with the flotation for which there was enormous publicity and advertising which boosted calling.

Margins were helped by a sharp increase in the number of job losses made during the quarter with the net loss of 2,000 employees. At the end of last year BT employed 232,000, about 3,000 less than in March. Total reduction in staff is expected to be 4,500 by the end of the financial year, slightly less than the annual reduction of just over 5,000 which had been made in the three previous years.



BT's pre-tax profits of £1.33bn for the nine months were £263m higher than the same period last year. But BT says the affect of the pre-flotation capital reconstruction in August 1984 means that profits for the nine months were £212m higher, an increase of 20 per cent.

BT noted that if Mitel—the troubled Canadian manufacturer of PABXs—had been part of the group during the nine-month period profits would have been £23m lower.

Capital expenditure during the quarter rose to £505m and the company predicted it would be close to the planned target of spending £2bn during the full year.

Interest charges were £119m lower in the nine-month period, of which £51m was a result of the change in capital structure.

● comment

BT has lost some of its lustre—which yesterday's rather sombre presentation of the third quarter figures for analysts did little to restore. While it is hard to argue that the star of the privatisation drive may be going ex-growth, forecasts are being shaved, both for this year and next. In specific terms these figures indicate some slowing down in the number of telephone calls, only partially offset by an increase in rental receipts. But this is hardly the stuff of great dramas. The news that the requisite permissions for the Mitel takeover to proceed have been received will also not boost confidence in earnings potential, for BT's diversification trategy—now taking it into Malaysia—does not seem aimed at immediate returns. On these results the shares lost 14p to close at 218p—so half of the gain made in the run up to the announcement has been pulled back. The final quarter could see BT struggling to break through £1,800 pre-tax which, on a 41 per cent tax charge, puts the shares on a prospective multiple of 12. The 1987 outlook suggests that the upside is limited.

Final quarter boost takes Sedgwick profits to £124m

FINAL quarter pre-tax profits of Sedgwick Group, international insurance and reinsurance broker, almost trebled from £6.58m to £18.91m and lifted the full 1985 figure to £124.31m, compared with £96.28m for the previous year.

Revenue in the last three months expanded to £166.43m, against £104.43m taking the total ot £581.53m (£456.03m).

Earnings per 10p share are shown as 21.7p, up from 19.1p, while the dividend is stepped up to 11p (10p) with a final payment of 7.75p.

Mr C. H. Mosselmans, chairman, says that results are satisfactory in a year which has marked a major extension of the group's activities through the merger with the Fred S. James group of the US. He adds that a significant aspect of 1985's outcome was the "excellent performance from James, confirming the company's expectations at the time of the merger."

An analysis of taxable profits, by location, shows: UK £61.09m (£49.94m); Europe £4.52m (£3.51m); Africa £1.85m (£2.64m); North and South America £50.95m (£32.63m); Middle East £2.5m (£3.46m); Pacific £3.4m (£4.09m).

A divisional analysis of the same figures shows: insurance and reinsurance broking £118.65m (£88.56m); Lloyd's and company underwriting agencies £5.47m (£3.18m) and insurance companies £202,000 (£4.54m).

Mr Mosselmans says that as expected, although rates in many sectors have hardened, especially in the US, the effects of this have been uneven. Continental Europe has lagged behind the US, he states, with rates only slowly beginning to harden. This promises well for the future, the chairman points out, but has meant that "there was little real advantage in 1985."

Mr Mosselmans adds that in the US, however, James benefited directly from hardening rates and was able to put on substantial new business at the higher rates.

Another factor during the year was the continued contraction of merchant shipping

Tax charge was up from £26.51m to £45.14m while minority interests took £215,000 (£674,000).

Sedgwick has now successfully completed the divestment of its remaining Lloyd's managing agency interests and the sales during the year gave rise to an extraordinary credit of £7.1m (£650,000) taking the profit to £86.07m (£69.74m).

● comment

Having been too optimistic at the interim stage, City analysts fell into the same trap for the full year, with most forecasts about £5m too high, and anticipating more than the perfunctory increase in the dividend. Some of the shortfall was due to associates which were hit both by exchange rates and by the growth reversal in the Middle East. Working out exactly what happened to Sedgewick's operating profits during the fourth quarter is made more difficult than usual by the change in accounting to using average exchange rates. However, it is clear that much of the overall advance came from Fred S. James, proving wrong those who said that Sedgewick had paid too much for it. James should have another excellent year in 1986, although the rest of the broking businesses may suffer rfom capacity shortage, and revenues will have to work hard to keep ahead of costs. Profits of £150m would imply a generous p/e of 15 at 395p, down 17p.

Williams sells McKechnie stake

BY DAVID GOODHART

Williams Holdings, the fast-growing industrial holding company, announced yesterday that it has sold its 6 per cent holding in McKechnie Brothers. The stake was placed by Baring Brothers, McKechnie's merchant bank, with a number of institutional investors.

It had ben built up since July last year and would have been a prelude to a full bid but for the fact that McKechnie shareholders recently voted by a slender margin to support McKechnie's own bid for Newman Tonks. Williams had said that if the shareholders supported that bid, they would withdraw.

The Williams stake was bought at an average price close to 140p and sold yesterday at about 195p per share, giving it a profit of about £2m.

Dr Jim Butler, chairman of McKechnie, was delighted that the holding had been placed. There had been some speculation that it might be handed on to another predator.

UK COMPANY NEWS

William Collins profits rise by 11.5% to £13m

DESPITE BEING affected by adverse currency movements William Collins, Glasgow-based publisher reported pre-tax profits up by 11.5 per cent 1985.

Directors are recommending an increased final payment of 5.375p, compared with last year's equivalent 4.5p. The total payment is 7.75p (6.5p).

Mr Ian Chapman, chairman and chief executive says the group made excellent progress during the year and with sales for the first two months of the present year up on the comparable period he looks forward to another year of growth.

Turnover was down by £2.3m to £121.3m reflecting a planned cut in unprofitable agency sales in Australia of £4.3m and adverse currency effects of £9m. Pre-tax profits rose from £11.75m to £13.1m, but the company says they would have been £1.2m higher but for the effect of currency movements.

Operating profit came out at £14.42m (£12.97m) with share of associates adding a further £944,000 (£836,000). The pre-tax figure was struck after net interest payable of £2.27m (£2.06m).

The tax charge was £4.1m (£4.84m) and with dividends taking £2.67m (£2.24m), the retained profit came out at £6.32m, against last year's £4.67m. Earnings per ordinary and A ordinary share were 26.1p (20p).

Mr Chapman says that all UK divisions performed well. Towards the end of the year the Collins "New Concept" in publishing organisation was introduced and benefits are expected in the present year.

There was rapid growth at Hatchards with five new branches being opened bringing the total to nine. The acquisition of Claude Gill Books and Hunkydory will provide further growth areas, the chairman adds.

Increased profits were recorded by the Glasgow operations and the books manufacturing division, which increased market share and with expected production of more than 75m books in the present year it will be one of the largest and most modern book manufacturers in Europe, the chairman says.

He adds that the Australian subsidiary made a strong recovery in the year under review.

Mr Rupert Murdoch's News International holds a 42 per cent stake in the company.

● comment

Collins could proffer plenty of excuses for the fall in turnover, from adverst currencies, to the end of the Australian agency agreement. The City seemed to swallow the excuses and voting shares rose by 20p to 485p and non-voting by 10p to 323p. After five years of retrenchment—technical investment, marketing innovation and restructuring—Collins is bracing itself for growth. Retailing has emerged as a crucial investment area. Four new Hatchards shops will open this year although, by its own admission, Collins has yet to decide what to do with the recently acquired Claud Gill chain. The structural problems of its Australian operation seem to have been resolved although the currency conundrum has not. The City expects profits of £15.5m for the next financial year producing a p/e of 10.5 for non-voting shares. Despite the recent rush of acquisitions gearing is at a manageable 35 per cent and Collins is in an acquisitive mood again. In this country education, law and medicine are the obvious areas for expansion within book publishing, while overseas, Collins is still ogling the US.

Leisuretime turns in £477,000

Leisuretime International, the hotelier, holiday operator and investment dealer chaired by Mr Timothy Aitken, reported pre-tax profits of £477,000 for the year to the end of October 1985. This compares with £1.26m in 1984 when the figure included income of £978,000 from the sale of the Old Swan Hotel in Harrogate.

Turnover was up 8 per cent from £6.03m to £6.51m and the final dividend is 1.15p (1.1p), making a total of 2.3p for the year (2.1p). Earnings per share were 7.16p, down 27 per cent from 1984's 9.79p.

Leisuretime notes the formation of two divisions which, it says, should make a significant impact on future profits. One division will manage leisure developments in Spain and Portugal and the other will develop media and communications businesses with a view of raising UK earnings.

Southend Stadium

Southend Stadium has paid £609,000 cash for a portfolio of freehold property comprising of five retail units in Gravesend and three industrial units in Cheltenham totalling 13,635 sq ft. Gross income on the portfolio, which has been independently valued at £750,000, is currently £67,350 per annum. Following certain lease renewals this month this is expected to rise to £75,000 per annum.

DAVY CORPORATION has received the $40.4m cash, including interest, arising from the US pension scheme surplus referred to in the previous year's accounts.

Cattle's at record £2.7m and sees further growth

AN IMPROVEMENT in second half profits from £1.12m to £1.61m has helped Cattle's (Holdings), Hull-based financial services and retailing group to record pre-tax profits of £2.72m for 1985 against £1.96m previously.

Commenting on the results, Mr Roy Waudby, the chairman, says they confirm the trend reported at the interim stage. Looking ahead he says there is a great deal of enthusiasm and optimism regarding prospects for 1986. It is too early to make profit forecasts, particularly as interest rates can upset budgets, but the directors are looking to another year of significant profit improvement, he states.

A final dividend of 1.075p (0.9p) is being recommended, bringing the total for the year to 1.8p against 1.5p, a 20 per cent increase. Stated earnings per 10p share are ahead from 3.03p to 3.4p.

Turnover improved by almost 24 per cent to £94.98m (£76.68m), giving an operating profit up from £4.86m to £7.36m before a transfer to deferred revenue of £893,000 (£275,000) and interest charges of £3.61m (£2.53m). The pre-tax result was struck after an allocation to the employee share scheme of £143,000 (£103,000).

Schopacheck Financial Services, a wholly-owned subsidiary, improved throughout the year, the chairman says, and the consumer business previously handled by Cattle's Holdings Finance is being integrated with Schopacheck.

● comment

Cattle's (Holdings) has finished £760,000 ahead in spite of expansion and reorganisation costs and the 2 per cent rise in its average cost of funds. The miners, in better times its best customers, have well justified the faith in them held by the company's strictly Chapel-going founder as they have made it a priority to reduce indebtedness since the strike. However, these figures do seem a little stretched (perhaps for defensive reasons?) by the £250,000 from the pension contribution holiday and the £230,000 from disposals. The statement as good as asks the market to add back in almost £1m from loss elimination (and another £100,000 from the pension holiday) so forecasts of £3.8m are not asking Cattle's to do very much more for its money. If average interest rates fall a percentage point then maybe another £300,000 could be in the pipeline. The shares at 52½p are on a prospective p/e of 10 given the more cautious prediction. On a sectoral basis a rating of nearer 12 seems justified, so the recent rise should still have some way to go yet.

BOARD MEETINGS

TODAY

Interims: Dunton, Goodman Brothers, Process Systems.
Finals: Henry Ansbacher, Invergordon Distillers, Sintrom, Suter.

FUTURE DATES

Interims—

Marivale Moore	Apr 3
Murray Ventures	Mar 24
Sanderson Murray and Elder	Mar 20

Finals—

Aurora	Mar 26
Automated Security	Mar 27
Canning (W.)	Mar 25
Clyde Petroleum	Mar 19
Enterprise Oil	Apr 2
Jones and Shipman	Mar 19
Kode International	Mar 20
Legal and General	Mar 20
Linread	Mar 25
Macfarlane Group (Clansman)	Apr 7
Martin (Albert)	Mar 25
Pittard Group	Mar 17
Stockley	Mar 19
Tricentrol	Mar 26
Wimpey (George)	Apr 24

UK COMPANY NEWS

Growth all round boosts Hawtal by 67% to £3.5m

WITH ALL three sectors making strong contributions **Hawtal Whiting Holdings** saw its year-end profits surge by 67 per cent to £3.52m pre-tax.

Turnover for the period (January 11 1985 to December 31 1985) accelerated from £12.92m to £26.17m. Hawtal, based in Essex, is an automotive design engineering consultancy.

During the period over 94 per cent of group turnover related to export work.

Shareholders are to receive a dividend of 7p net, the rate promised at the time of the group's entry to the USM in October 1984. The previous year's payout was 1.5p but the directors pointed out in the prospectus that had the shares been quoted for the whole of that year they would have recommended a 6p dividend for 1984-85.

Tax for 1985 rose from £824,000 to £1.51m and left the net balance at £2.01m, compared with £1.29m. Earnings emerged 10.4p ahead at 31p per 5p share.

A divisional breakdown of sales shows: design engineering £22.57m (£11.6m), die models £2.42m (£872,000) and structural analysis £1.18m (£454,000).

The group is currently engaged on nine major automobile design programmes, eight of which are for various divisions of General Motors, together with numerous smaller projects. This compares with four major programmes at the beginning of 1985.

The directors are looking for continued development in all aspects of group business in 1986, and in particular to strong growth from the field of computer aided design.

● comment

Hawtal Whiting is an oddity in British industry. Its staple activity is to design cars, from the original clay model through to the production line, largely in the US and largely for General Motors. The shares, which had risen steadily ahead of the results, closed 20p higher yesterday at 450p. An extensive investment programme has equipped the company with computer aided design facilities to stave off American and Italian competition, but has left gearing unhealthily high at 125 per cent. Nonetheless the City expects profits of £4.5m this year and a p/e of 10.0. By opting for the US as its main market Hawtal Whiting has steered clear of the tristes of the British car industry but has left itself very vulnerable to fluctuations in dollar exchange. In its first set of publicly quoted results the company benefited from the dollar's fluctuation, this year it lost £400,000. Currency hedging is the short term solution, but for the longer term Hawtal Whiting is scouting about for alternative markets in Europe, Australasia and the Third World.

Car sales boost Appleyard profits

GOOD performance from its cars and vans operations contributed to Appleyard Group's continued improvement in 1985. Compared with the £810,000 pre-tax contribution they made in 1984, cars and vans added £1.61m to the group's total pre-tax profits of £2.06m. This was a 68 per cent advance on the 1984 figure of £1.23m.

The motor dealer and oil distributor is recommendding a final dividend of 3.5p to make the total for the year 5p, up 67 per cent on 1984's figure of 3p. Earnings per share more than doubled from 11.3p to 24.8p after a reduction in tax from £303,000 to £59,000.

The useful contribution from cars came in spite of the discount war which squeezed trading margins and made volume the olny route to profitability. Mr Ian Appleyard, group chairman, said this policy was successfully pursued.

Appleyard Group rationalised its properties, including concentrating its entire car, truck, fleet and leasing activities in four locations. The cost of this rationalisation appears as an extraordinary item of £201,000.

The company says cash control proved effective despite the increase in turnover from £139.78m to £161.81m. As a result, interest and stock finance charges were only 7 per cent higher at £1.19m than for 1984 even though the average interest rate was 23 per cent up.

Tyne Tees TV hit by cut in advertising revenue

Tyne Tees Television, which operates the IBA television contract for the north-east of England, yesterday reported virtually unchanged results for the extended 15 month period to end-December 1985.

At £3.19m pre-tax the result was creditable says Sir Ralph Carr-Ellison, the chairman, considering the period was beset by depressed advertising revenue throughout the UK and the company's reduced share of this income brought about by the national boundary survey.

On an annualised basis the result shows a fall against the £2.6m achieved in the previous 12 months to end-September 1984.

Channel 4 subscriptions took £11.16m (£8.72m for 12 months) and the Exchequer levy amounted to £1.13m (£1.05m)—interest receivable came to £483,000 (£444,000).

Sir Ralph says the result was achieved through significant cost reductions and he welcomed the Government's decision on future proposals for Exchequer levy and expressed optimism for the company's future. Turnover for the period was £60.53m (£46.01m).

Shareholders of this USM stock are set to receive a final dividend of 10.125p, which makes a 13.125p total for the 15 months (10.5p for 12 months). Earnings per share were 32.76p (25.78p).

New Darien net assets downturn

Net asset value per share of the **New Darien Oil Trust**, investment company, fell from 83.6p to 71.7p by the year ended January 31 1986, and from 85.1p to 74.2p, adjusted for exercise in full of rights attached to warrants.

The dividend is almost doubled to 0.625p (0.325p) for the year from earnings per share up from 0.52p to 0.92p.

After much lower interest payable, down from £96,000 to £5,000, the pre-tax figure for the year is ahead from £81,000 to £139,000. Tax charge was £47,000 compared with £29,000.

Leather group tops forecast

World of Leather, the specialist retailer of leather-upholstered furniture, saw pre-tax profits more than double from £522,000 to £1.2m in 1985—17 per cent higher than forecast when the company came to the USM last November.

The record profit was made on turnover 54 per cent higher at £9.14m (£5.94m), an increase the company put down to the impact of new shops opening and existing ones fulfilling more of their potential.

As indicated when it came to the market, no dividend is to be paid for 1985. Earnings per share are up from 5p to 9.4p.

Mr Ramon Benardout, the chairman and joint managing director, said the company had expanded its market share and shown it could contain overheads while substantially increasing sales.

Westbrick aids Tod's profits

A big contribution from its acquisition, Westbrick Plastics, helped Tod, the USM-quoted company, to achieve record profits for the six months to the end of 1985. The pre-tax figure jumped 80 per cent from £342,000 to £615,000 on turnover up almost fourfold from £1.3m to £504m.

The Weymouth-based company, which designs and makes fibre reinforced composite products, is paying an interim dividend of 1.3p (1.1p). Earnings per share rose from 4.2p to 5.4p.

Tod's ultimate holding company is C. H. Beazer, from which it bought Westbrick last September for £2.76m. In January, Westbrick acquired Paramount Fabrications, which Mr Malcolm Griffiths, Tod's chairman, expects to contribute to profits during 1986.

UK COMPANY NEWS

Raymond Hughes on the legal ruling on the blocked bid for Granada

Rank loses IBA court challenge

THE Rank Organisation yesterday lost its High Court challenge to the Independent Broadcasting Authority's decision to block Rank's £753m takeover bid for the Granada Group, which includes Granada Television.

Mr Justice Mann dismissed with costs Rank's claim for an order quashing the IBA's refusal to allow Rank to vote more than 5 per cent of its shares in Granada.

Under Granada's articles of association, no shareholder may vote more than a 5 per cent holding unless it is an "approved person" in the eyes of the IBA.

Announcing its decision on February 25, the IBA said that Rank's offer for Granada would mean a major change in control of a viable programme contractor which would be unacceptable.

The judge held that Rank's claim failed because, when the IBA made its decision, it had not been acting under a power given to it by the 1981 Broadcasting Act.

Only decisions made by public bodies such as the IBA under powers conferred on them by the status under which they operate can be overturned by the courts under the judicial review procedure invoked by Rank.

Rank had argued that, when it made its decision, the IBA had been exercising a function under section 20(50) of the Act.

> The claim failed because, when the IBA made its decision, *it had not been acting under a power given to it by the 1981 Broadcasting Act . . . The judge found 'no unfairness' and the IBA acted 'honestly and in good faith.'*

The decision had been illegal because the IBA had not had regard to matters the section required it to take into account, Rank contended.

It had failed to consider whether a Rank takeover would involve a change in the nature, characteristics or control of a programme contractor which, if it had occurred before the franchise had been awarded, would have induced the IBA not to grant the franchise to Granada.

The judge said that if the IBA had been exercising a function under the Broadcasting Act its decision would be reviewable by the court as being a matter of public law.

In his view, however, it had not. What it had been doing was exercising an adjudicatory power conferred on it by Granada's articles of association.

The fact that the IBA had a statutory power to act in such an adjudicatory capacity under the Granada articles did not bring the matter into the field of public law or make it susceptible of judicial review.

The judge said that his ruling on that aspect of the case was sufficient to dispose of Rank's claim. He went on, however, to deal with the other arguments that had been put forward.

In his one finding in Rank's favour, he said that, had it been necessary, he would have held that, contrary to what the IBA had contended, Rank had a sufficient interest in the matter, as a large shareholder in Granada, to give it the legal standing to seek judicial review.

Rank's principal argument had been that the IBA acted unfairly in not giving Rank an opportunity to make representations before the decision was taken.

The judge said that he could find no unfairness. The IBA had acted honestly and in good faith. Its chairman, Lord Thomson, had not promised Rank that it could meet the IBA before a decision was taken.

Rank had not had a legitimate expectation that it would have a chance to put its case to the IBA.

Rank had also complained that the IBA had followed an inflexible policy not to allow a change of control of a successful programme contractor which, Rank argued, was inconsistent with the IBA's duty under the Broadcasting Act.

The judge said that the IBA's decision could not have been flawed on the basis of the mechanical operation of an inflexible policy. It was entitled to have a general policy that changes in the control of viable ITV programme contractors were unacceptable.

In every case the IBA had to consider whether there was any reason to depart from that policy. It had done so in this case, the judge said.

Rank is to appeal against the ruling.

Bridport-Gundry up 43% and makes £2m purchase

Bridport-Gundry, maker and retailer of netting and twisted and woven products, has improved pre-tax profits by 43 per cent in the six months to end-January 1986, from £646,000 to £924,000.

It has also announced an agreement in principle to buy the share capital of Hall's Barton Ropery, including its subsidiary Overtons. The consideration has ben provisionally agreed at about £2.2m, to be satisfied by the issue of shares.

Bridport-Gundry, which is based in Dorset, increased its turnover over the half year by £3.04m to £16.96m. The company usually performs better in the second half due to seasonal influences and other factors and the directors expect the pattern to be repeated this year.

The interim dividend is being stepped up by 0.2p to 1.65p. For the year to July 1985 the total payment was 5p when profits reached £2.11m with the second half producing £1.46m (£1.2m). Overall the directors are confident that the results for the full year this time will be good.

The directors report that Bridport Aviation Products produced an excellent result for the six months, while the marine companies did well in a difficult market. James Pearsall, a manufacturing subsidiary, continued its recovery and Bridport-Gundry Netting performed satisfactorily.

Brownell reflected the seasonality more than the other companies, but is expected to achieve a good result for the year, the directors say, while Lolift, which makes intermediate bulk containers, lost its biggest contract, but the deficit in orders has already been made good.

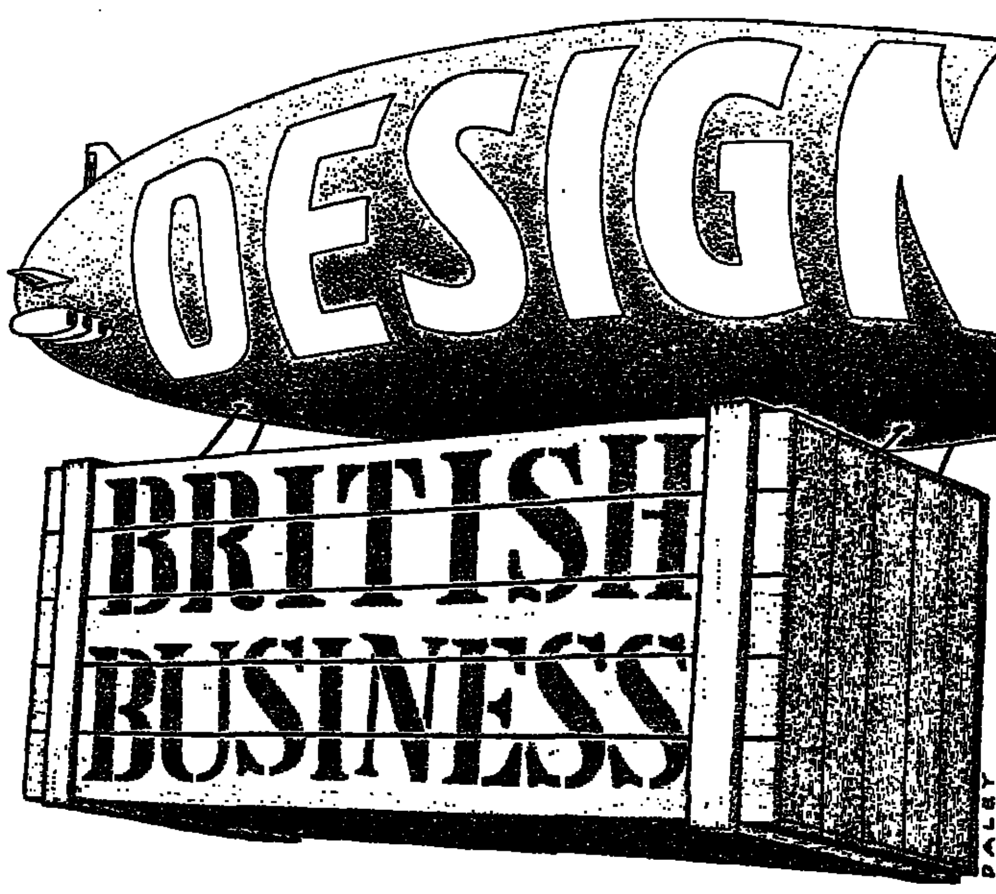
Tax took a total of £336,000 against £246,000, and after minorities of £22,000 (£30,000), attributable profits emerged up from £370,000 to £566,000 for earnings per 20p share of 6.39p (4.2p).

The directors say that Hall Barton's business is entirely compleemntary to Bridport's own. Its turnover it about £6m, they state, and profits for the year to end-June 1985 were £236,209. Its shareholders' funds at that date amounted to £2.93m.

FINANCIAL TIMES SURVEY

Friday March 14 1986

Design services are in demand as never before but are still vastly underused. Ambitious companies, led by the high street retailers, are discovering the commercial power of this key strategic ingredient. But for the majority the message has yet to get through.



Power beyond the images

By Christopher Lorenz
Management Editor

FOUR YEARS after the London stock market first began to take design seriously, and Mrs Thatcher launched a long-running campaign to persuade British managers of design's commercial power, there is no longer any excuse for thinking of it as "mere styling."

As Britain's Japanese, German and Italian competitors have demonstrated for decades—and as the Burton Group and Habitat-Mothercare have shown more recently in Britain's high streets—the power of design extends far beyond facades and images. In services and manufacturing alike, it reaches deep into marketing and product strategy.

In the words of John Butcher, the minister championing the government's campaign, "Design influences nearly all aspects of manufacture." He goes as far as to claim that "for every pound spent on design, the businessman will get a better return than on anything else."

As Mr Butcher told a gathering of Britain's top industrialists at a "design commitment conference" in London a month ago, design "is the most effective means of ensuring differences between products in the marketplace—for bankers as much as for engineers, for giant conglomerates as much as for rural craft companies, and for services as much as for products."

The explosive growth of almost every type of design consultancy over the past four years is an indication that British business is at last beginning to get the message. This year's Design Council Awards also show that there are much-improved product lines in a number of manufacturing industries.

A few managers may even be getting the message via the efforts that their children's schools are making to establish design as a socially valuable activity and an integral part of the curriculum; the number of schoolchildren taking O-level exams in craft design and technology (CDT) has tripled since 1979.

Yet all the evidence suggests—through market share statistics as much as opinion surveys—that many managements have still not been converted to what Mr Butcher calls "the design message." Which is why 1986 will probably see more official and semi-official promotion of design than at any time since Prince Albert's Great Exhibition of 1851.

A stream of new initiatives is being prepared and launched. They include:

- *Design Commitment drive.* Sparked off by last month's London conference, organised by the Department of Trade and Industry, more than 20 of Britain's largest companies have agreed to start promoting the design message downwards and outwards by holding seminars for their principal suppliers. Another three dozen will shortly be discussing the idea with the Design Council.
- *Design Awareness Campaign.* Shortly after Easter more than 1.5m readers of The Sunday Times and the Economist, plus over 40,000 selected managers, will receive a Design Council booklet on the role designers can play in commercial success.
- *Support for Design.* When it was launched in 1983, this DTI-backed programme of subsidised consultancy for small and medium-sized companies, which is administered through the Design Council, had a £10m budget over three years. Such has been the demand that it has been enlarged several times: the 1985-86 spend will be £6.3m, with £7.5m earmarked for 1986-87.

So far more than 3,500 projects have been undertaken, 60 per cent of them for first-time users of design consultants. Roughly the same proportion have continued using consultants after the end of the subsidy period. About a third of the projects have used engineering designers, and about 40 per cent industrial product designers, with the rest split between fashion, knitwear, packaging, literature graphics, and so on.

- *Design management training packs,* for managers and designers in large as well as small companies. Newly compiled by the Design Council and the Industrial Society with backing from the Manpower Services Commission, the packs are already in use within several companies, including British Aerospace.
- *Design management quality standard.* Similar to the BS 5750 Quality Systems standard, this is intended to assist companies more broadly in establishing better design management procedures. A draft proposal should be ready within the next year.
- *NEDO working party on design.* Since last autumn a high-level NEDO working party has been mounting the most thorough effort yet made to learn how Britain's most successful foreign competitors manage design, and to apply the lessons.

A set of detailed "action packs" will be developed with the various industry Economic Development Councils after the working party's general recommendations have gone to the full NEDC in the summer.

With the British Institute of Management and several small business agencies also beginning to introduce design advice and support into their range of activities, the "design into business" bandwagon is well and truly rolling. Even the EEC Commission is becoming interested in the subject, and commissioning several research projects.

On the education front too, the picture is vastly more promising than four years ago. Then, London Business School was virtually the only institution teaching design to managers. Now Manchester Business School has joined it, along with a growing number of polytechnics and the Open University.

The other side of the coin — the teaching of business skills to trainee designers — is less bright. But a number of design colleges, including the Royal College of Art, are making rapid progress from a near-standing start.

Among various new initiatives to give young designers vital experience in industry are a placement programme run by the Royal Society of Arts, and Design into Business, a joint award scheme for the education profession and industry.

But very much more still needs to be done to attune design graduates to the attitudes and disciplines which are needed if they are to work effectively in business teams with hard-bitten marketers and engineers.

Vertical growth of consultants

By Feona McEwan

TRYING TO gather up the threads of Britain's talented and idiosyncratic design industry is like trying to trap raindrops in a sieve. It is so fragmented in structure, and its disciplines so disparate, that it cannot be readily pigeonholed or contained.

But though even the most basic production and market share statistics are lacking—it is still a very young industry—there is no doubt that the market for commercial design services is both hungry and dynamic.

The pioneer companies have enjoyed near vertical growth. Fitch and Co, for instance moved from £2.8m turnover in 1980 to £6.9m in 1984 and from a staff of 70 to 250 last year.

The Michael Peters Group has expanded even more rapidly, from £960,000 in 1981 to £6.2m last year, and from 15 staff to 150. In size, the leading UK companies now outstrip their Continental European counterparts, and demand from overseas clients makes them an influential international force.

The practices range right across the scale, from the traditional "cottage industry" two-person business to the multi-disciplinary top "institutional" group practices such as Fitch & Co, Aidcom, Pentagram, McColl, Conran Associates, and the Michael Peters Group.

Behind the drama of the past five years lies a combination of market forces, changing consumer needs and a sympathetic government. Together with the emergence of the designer as businessman, these have helped prise the nation's distinguished talent out of its previous bunker mentality and propel it headlong into the commercial ring—though that is not to deny the purists in the business who shun the new commercial climate.

One symptom of the shift is the industry's main representative body, the Society of Industrial Artists and Designers, which is finding its feet after a period as a dozing giant. With 8,000 members it claims to be the largest body of its kind in the world. Under its president Michael Wolff, there is a plan to change its name (to the Chartered Society of Designers), restructure and broaden its horizons.

One initiative is a proposed Centre for Design Studies to document the industry. This could go some way towards filling the gaps in the industry's information flow, providing figures on such areas as the total number of practitioners, the amount of foreign revenue generated, and the industry's value as a part of the country's GNP.

The emergence of the dissident Design Businesses Association at the end of last year, initiated by a group of graphic designers who felt the society represented individuals more than practices, was, Wolff admits, "mainly a symptom of our lack of speed in the market place." For the moment, the DBA has been drawn into the society in an attempt to pool energies and aims, and thus present a strength in force.

There are also signs of increased professionalism overall. In line with more mature communications industries, such as advertising and even public relations, the design world has discovered marketing. Internally the leading design companies now have public relations officers keeping their name in lights, aware that credibility can come with publicity, and sets of smaller designers are banding together in visible groups for promotion purposes.

The more ambitious have installed non-designer talent in key positions, such as marketing directors and research directors, to steer corporate growth and service the clients.

In step with the commercial world they service, design consultants competing for business are more likely to talk marketing-speak—market share, consumer needs, corporate positioning—rather than colour

CONTINUED ON PAGE 3

More than a High Street fad

Retailing

RUFUS OLINS

CAN THE retailing world's current enthusiasm for design last? Investors can be forgiven for having asked the question several times over during the past few months.

First Ralph Halpern's Burton Group takes over Debenhams, the department store chain, and promises it revitalisation by design; then Sir Terence Conran's Habitat/Mothercare merges with British Home Stores and vows to intensify BHS's existing programme of store redesign. It has been the same with almost every move in UK retailing over the past few years.

To cautious investors, at least, all this may sound fine in theory but unconvincing in practice. For if every High Street leviathan starts to try to out-design the other, does that not spell the end of the design fad?

The criticism is significant in that it takes as given the enormous recent growth in retailers' budgets for design.

But the rise of design in retailing is a phenomenon which, far from being confined to fashion chains, extends to every sub-sector of the retail industry.

Stafford Cliff, Conran Design Group's graphics chief, helped re-launch Virgin Records' enormous Oxford Street emporium; at Fitch & Co, design director Michael Howard's staff have, at Southampton, helped the Automobile Association completely revamp its High Street image.

From shopping centres, edge-of-town developments and supermarkets through to the ubiquitous multiples, designers are being called in to re-fit shells and pull in more cash, credit cards and — coming soonish—electronic funds too.

To critics this just shows that the market for retail design has overheated. But, while the prodigious growth in retail design contracts of the past year cannot long be continued, the medium-term prospect for retail design seems excellent. For Britain still has a "great unwashed" of retailers who have yet to be introduced to what design can do for profitability.

That fact, coupled with tougher competition for shaky consumer expenditure, ensures for retail design considerable prominence and longevity. For every Laura Ashley, Benetton or Bodyshop there are Rumbelows and more Rumbelows. The market for retail design is still wide open.

Yet it is only a further stiffening of competition that will compel the great majority of British retailers to adopt good design, not merely as a cosmetic move but as a central part of their corporate strategy. Plenty of signals exist to suggest that such competition will grow still more intense. Conventional retailing is coming under attack from booming mail order houses, and —in the longer term—from "teleshopping," or the purchase of goods via telecomunications networks linked to home televisions.

To survive, the retailer must identify his target markets and then design the shops, sales force and even merchandise around them; the growing sophistication of many retailers' ranges has not been matched by a more sophisticated staff, and sales have suffered accordingly.

Like Sir Terence Conran, who waxes lyrical about the sophistication of department stores in the US and Japan, Fitch's Michael Howard contends that the "seven-day society" of Japan shows what department stores could be like.

Japanese stores run to 20 storeys high and have their bargain basements on the top floor, but still work famously. In Tokyo department stores, Howard concludes, sales are buoyant because "the design excitement is high, the change of scenery continuous, and the service is superb. Giftwrapping is almost an art form."

Without good products on display in them, even the most carefully market-targeted shop designs will not succeed. In this sense, retail design can and should act as a stimulus for a wider improvement in British packaging and product design.

At the National Economic Development Office, a number of discussions are being held about how enlightened High Street concerns can pressure industry to make better products. They are in a good position to start doing so.

James Woudhuysen is Co-ordinator of Postgraduate Studies & Research at London's Central School of Art & Design.

Retailers using their power

Packaging

RUFUS OLINS

PACKAGING, the most established and least respected of the design disciplines, is finally coming of age, thanks mainly to a shift in attitude among mass market retailers.

Trading on the confidence that Marks & Spencer and Sainsbury have established for their own-label products, W. H. Smith, Boots and virtually all the multiple grocers are now making heavy use of packaging to strengthen their stranglehold on the manufacturers.

One of the most remarkable re-packaging programmes is being carried out by Tesco. More than 60 design consultancies have worked on the project over the past three and a half years, with a total of nearly 1,500 new designs being vetted at weekly meetings with Tesco's chairman, Ian MacLaurin. This schedule is now accelerating.

Unlike Fine Fare, which launched a similar programme coinciding with a move up-market in 1982, the Tesco house brand is not immediately identifiable. Own-label products are simply packaged to compete within their sector, whether it is meat, cereals or soap.

Smith and Milton known for its work on Robertson's jams, Batchelors' soups and Winalot dog food, has developed a range of coffee, pasta sauces and chocolate brazil nuts for Tesco. The packages have little in common, except for the fact that they are all making contributions to Tesco's improved profits.

Tesco's chocolate brazils, launched as a Christmas line to compete with Payne's original product, proved so popular that they have been maintained as a permanent brand and Payne's, the market leader, has been delisted.

Fine Fare has followed a similar route and the first of Asda's own range of new-look wares is now reaching its stores.

For manufacturers, the implications of all this are daunting. Retailers, whether or not they use a uniform style, are now using packaging to make individual statements about their own products and their confidence is growing.

W. H. Smith, for instance, is now taking on the likes of Parker and Sheaffer with the launch of a discreetly-branded range of up-market writing instruments packaged by Newell and Sorrell.

David Laing, a manufacturing analyst at Henderson Crosthwaite, believes that only a few very big brands and specialist products will survive what has become an unrelenting onslaught. "The middle ground is being annihilated and it is becoming increasingly difficult for manufacturers to enter new areas because it is the retailers that are developing the markets."

In relatively secure specialist niche markets the power of packaging is demonstrable and can protect a brand's position. Penhaligon's, Crabtree and Evelyn and Elsenham Foods enjoyed increased success partly because their packaging admirably reflects the quality and nature of their products.

Howard Milton, one of the founding partners of Smith and Milton, is concerned at the conservative attitude of many manufacturers and says that packaging can work completely effectively only if it is viewed in context.

"Packaging, like corporate identity, is about finding the right tone of voice. It is not about slapping some fashionable graphics on a box.

"The business has certainly not peaked yet—there are still too many untapped areas. Household and commodity products are virtually untouched."

On big brands, however, many packaging specialists still complain that they are brought into projects too late to be really effective.

One of the more enlightened companies, International Distillers and Vinters, has found that packaging has made a clear and substantial contribution to the success of many of its products, including Bailey's Irish Cream, Malibu and Piat D'Or.

Sedley Place Design worked for months on one of IDV's most recent launches, St Leger, a "cooler" made from white wine, orange juice and mineral water. IDV was clear that although St Leger looked like orange juice in the glass it had to carry the authority of a legitimate alcoholic drink when packaged. Furthermore it had to have the potential to become a major international product.

Mixtures of white wine, fruit juices and mineral water have carved out a £260m market in the US in just three years, a development which has prompted every major UK drinks manufacturer to push a product into the field.

St Leger, packaged in a distinctively-shaped black glass bottle, has been on sale for only just over a year but already outstrips its half dozen rivals and is poised to enter a number of continental European markets.

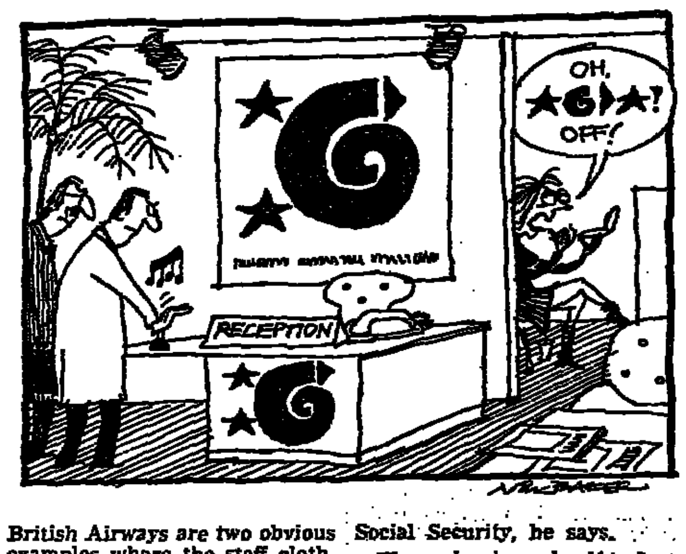
Terence Griffin, a director at Sedley Place Design, argues that successful design of any kind requires a great deal of investigation and discussion if it is to fulfil its function successfully.

"Graphics, materials, shapes and colours are simply the means by which one communicates a product to its audience. Behind that lies costing, distribution and positioning. Unless you get the strategy right it is a complete waste of time."

Seeking change behind the logo

Corporate identity

FEONA McEWAN



SOME COMPANIES still believe that corporate identity is a new suit of clothes: a new logo, a fresh lick of paint, a stylish letterheading, an arresting foyer. But cosmetic appeal is only half the story. The emphasis these days is not only on how a company looks, but on how it behaves. "Corporate identity reflects the structure visually," says Jim Northover of Lloyd Northover, "but also the corporate culture beneath."

A company must be sensitive to the fact that everything it has, makes, does and says is an expression of its corporate identity, Northover says. The focus on total communication programmes, both internal and external, is a concept that most UK companies still fail to grasp.

The current spate of merger mania has highlighted the plight of companies that have lost sight of their corporate identity and recognise too late their lack of visibility among the audiences that matter—the customers, shareholders, staff, or business community and opinion formers.

Performance

"A corporate image is influenced more by the way the 'phones are answered, the performance and reliability of product, speed of delivery, quality of after-sales service, attitude to the environment and personnel policy than it can be by the logo on the notepaper or truck sides," Northover argues.

Gordon Watson of McColl caused a stir when he told a conference that in the retail food business the only person with whom the public has contact is a 17-year-old girl who chews gum, and yet she probably has more effect on the corporate identity of the company than the chairman.

Everyone knows the value of the badge, the sign, the typeface. But on its own it is impotent. If the product is not right the consumer will not be satisfied. British Rail and British Airways are two obvious examples where the staff clothing was improved but the service has lagged behind—and consumers noticed — though things are now changing.

In product-led companies, corporate identity starts with the product, argues James Pilditch, founder of Aidcom and chairman of NEDO's design working party. "It's the part of the company the consumer touches."

Design of the product tells you about the company. When you buy a Sony, a Braun, a BMW or a Volvo you are not simply buying the product, you are buying the reliability, service and quality the company stands for.

The argument holds as strongly for the service sector. In the light of City deregulation, financial companies will be forced by the chill wind of competition to consider their corporate image as a matter of survival.

The public space in banks, for instance, or the reception or waiting room, showroom or office environment, all project a company image whether they like it or not. Michael Wolff, president of the Society of Industrial Artists and Designers, suggests that a government that pushes the design-for-business message should look to its own buildings—many of which are rundown and shabby—and practise some of what it preaches.

Sainsbury, for instance, would not keep its customers queuing in the cold for hours as does the Department of Health and Social Security, he says.

The clearing banks have certainly got the message. All four, and the TSB too, are currently undergoing major long-term exercises to revive their corporate identity and update their image.

Within the corporate communications sector of the design industry, internal communications are an area of increasing focus. Staff who are informed and involved are motivated. And internal communications, as Northover points out, soon becomes external communications as people talk about their work and their company. "The best ambassadors for a company are inside it," says James Pilditch.

Consultancies report an increasing involvement of top management in decisions about companies' identity which shows a growing understanding of its strategic relevance and how it can affect motivation, performance and ultimately share price. Though the UK has a long way to go to match the American mentality. "They tend to be more status-conscious and aware of the corporate being," suggests Jan Hall of Coley Porter Bell.

Vertical growth of consultants

CONTINUED FROM PAGE 1

schemes, logos and esoterics. "This still comes as a shock to many client companies," says Gordon Watson, a director of McColl. The intuition about the marketplace and its needs that drove the design business in the 1950s has been replaced by the "scientific database" approach of the 1980s.

Times have changed since a client's print buyer would ring up and order a brochure. Anyone who reaches for a design consultant nowadays is more likely to be met with a complex analysis of the problem, customer needs, corporate strategy and so on. The look of the thing is treated later.

"We find clients are using us increasingly as strategic planners of their businesses in at the ground level," Michael Peters claims. Companies are waking up to the fact that the design process is not a bolt-on accessory, but an integral and permanent cog in the company wheel.

It affects the core of the company business, how it presents itself—not only in annual reports or product packaging—but in staff behaviour and consumer environment.

"We've been slower to grasp the marketing process," says Wolff, "than, say, advertising, but we are grasping it now. In a way our job can be *more* fundamental to the success of a company.

"More sensitive criteria are at play now — where before clients might have chosen a new building say, for its imposing stature, now questions are asked such as will *it* enable people to work to their best, will it reflect the sort of company we are and so on."

The fault has lain partly within the industry itself, its lack of cohesive spirit concentrating on introverted niggling instead of pushing the common cause. Rodney Fitch for one is concerned about what he sees as lack of maturity in the business.

"Advertising by comparison believes in the wholeness of the industry, the mission to grow good advertising," he says. "I don't think that permeates design. We are still full of people-designers, investors, commentators — who see us in tiny tots numbers. This only fractures the industry instead of closing ranks. I wish there was more togetherness than fractured fiefdoms.

"Having said that, we've made enormous strides. Growth until two years ago was self-generated, now we're genuinely heard in the corridors of power."

"If you strip away the magic," says Fitch grudgingly, "design can be regarded as simply another business resource." But this implies that design should have a platform at the highest level of management.

As areas such as corporate identity and packaging escalate with importance in the wake of City deregulation, merger mania and cut-throat competition, only the losers can afford to ignore this central marketing tool.

Some industry observers fear there is a danger that the current spotlight on the industry would wrongly hype it as the panacea of all company ills. Fitch is worried about the demands this is likely to place on consultancies — "long-term strategies are not built on the basis of panaceas."

"We tell clients," says Gordon Watson of McColl, "that design can guarantee turnover but not profits. Too many other factors contribute to profit, such as is the product any good and are the staff rude? Until now design has been purely a subjective thing, but it must now be market-led. It's a case of finding out what the customers want and using design to provide it for them."

Jan Hall, managing director of Coley Porter Bell, underlines the inexperience of many client companies in design management. She suggests that unlike the classic marketing disciplines, such as advertising and product development, there is no one for managers to learn from.

The government-backed Support for Design scheme operated by the Design Council for introducing companies to consultants has unearthed an alarming ignorance of the basic skills of managing design from the writing of briefs, to the monitoring of progress to the handling of budgets. It is an area crying out for further education.

Budgeting for design presents managers with a major problem. In most cases design still tends to be viewed as a cost. "The fact that it can be the key to added-value products, and therefore better margins, tends to be forgotten," says one leading consultant.

"But corporate and brand identities such as the Guinness toucan—or the Lloyds' black horse—can go on contributing to company awareness and profit long after the designer has finished his work," he argues, so design could be seen as a positive balance sheet asset.

Identities have been extremely important in the current takeover battles involving Allied-Lyons, Distillers, Guinness and Elders IXL. Another weakness is the fact that monitoring effectiveness is still fairly unsophisticated compared with the monitoring of advertising campaigns.

In terms of structure, the design businesses polarise, broadly speaking, into the multi-disciplinary giants at the top end with their one-stop-shop appeal, and the smaller practices, whose strength is their specialisation, and whose impact on their clients' businesses can be *far* greater than their size suggests.

It is now not uncommon to find under the same roof, architecture, product design, interiors, graphics, packaging, corporate identity, exhibitions, retail and industrial design. The large diverse groups can now take a company through from the concept of a greenfield site to its implementation, right down to the last detail of the company logo.

"Clients," say Esmond Wyatt, marketing director of Saunders Design, "are now more confident with the creative input but want reassurance of a highly-sophisticated design management capability."

The ability to offer clients a "cohesive totality of economy of effort, hence more efficiency," is claimed by Fiona Gilmore, marketing director of Michael Peters. "Some clients need a specialist service," says Rodney Fitch," others a much broader one, but they all need a bloody good one."

As consultancies move towards becoming general communications businesses, traditional labels are blurring. Bastable, Brewer and Andrews, for instance, busies itself with projects that could be termed sales promotion, direct marketing, staff incentives and advertising, all soundly marketing based and yet exercised with a visual flair that could only come from a design-led outfit.

As the industry grows increasingly sophisticated, future barriers to entry for startup design practices are likely to be computer-aided design technology, the need for costly databases as well as the demand for in-depth expertise that only sizeable companies can offer. But there is always likely to be room for the smaller practice offering the personal specialist service.

Meanwhile, Britain goes on producing (over over-producing some would say) top design talent. Though domestic demand has strengthened with a vengeance in some sectors of design, and too many designers still end up plying their trade abroad. Until more companies wake up to the glaringly obvious benefits of taking design seriously, the exodus will continue and UK companies will continue to deny themselves a sharper cutting edge.

Quoted commercial design consultancies†

	Price (p)	Year end	Design activities	Market capitalisation (£m)	Historic P/E	Historic Yield (%)	Relative performance to February 24 1986: 1 mth	3 mths	12 mths
Addison Page*	250	Dec 1984	Graphics + Annual reports	40.6	‡38.5	1.1	+12	+ 9	n.a.
Aidcom International	57	Dec 1984	Multi-discipline	13.6	‡19.0	2.5	+ 6	− 7	−50
Craton Lodge and Knight*	115	Sept 1985	New product development	6.5	24.0	2.3	−15	+18	−45
Fitch and Co. Design Consultants	425	Dec 1984	Retail and design	21.7	‡35.7	1.8	− 5	− 8	−15
Holmes and Marchant*	470	Sept 1985	Graphics and packaging	20.4	26.0	1.1	+ 1	+32	n.a.
John Michael Design*	61	Mar 1985	Retail and graphics	5.0	14.9	2.3	− 8	−13	n.a.
Michael Peters*	193	June 1985	Multi-discipline	11.9	22.2	1.9	− 5	−11	−39

* Quoted on the Unlisted Securities Market.
† Excludes engineering and textile design consultancies.
‡ Price-earnings ratios (P/Es) are artificially high for the three companies whose 1985 results are still awaited.

Mixed market reaction to buoyant sector

The City's view

NEIL BLACKLEY

DESPITE A firm market for their services, design consultancies paradoxically have been poor performers in the stock market over the last year. There have been two reasons for this underperformance:

- Specific disappointments in the results of two of the companies, Aidcom International and Craton Lodge and Knight;
- A proliferation of investment opportunities in the marketing services sector. The number of design companies increased from five to seven during 1985 (see table) and marketing services companies from 17 to 30. This marked increase in number has removed the unique selling proposition of the sector for investment purposes, and consequently average ratings have declined.

Within the overall market, retail design has been firm, thanks to the continued buoyancy of retail spending and the revolution taking place in the High Street, augmented by the fast development of new, and refurbishment of old, shopping centres, and allied travel and leisure complexes.

A greater realisation of the low cost benefits of packaging design, a shortening of the packaging life cycle, and a gradual move to global co-ordination in certain product areas has continued to be good for packaging.

The graphics/corporate identity/annual reports area has been particularly buoyant and should remain so with the spate of mergers and acquisitions taking place, and the revolution in the financial services arena.

Industrial product design, meanwhile, still requires a lot of further education as to its merits, but it has certainly been helped by the Thatcher factor and the Support for Design scheme. Lead times have lengthened in the new product development area, but the discipline is widening fast into business sectors outside fast-moving consumer goods.

There is also a trend, often client-led, towards the co-ordinated handling of different areas of design or marketing services under one roof. Advertising agencies and sales promotion companies have been leading this diversification drive. Some design houses, however, such as Michael Peters and Aidcom, have moved towards an integrated design approach.

The prospects for the design sector in 1986 are bright, and the stock market participants should perform well off a reduced rating base. It is already known that the retail design company McColl will be joining the clan in 1986, and other possibilities for 1986-87 include Wolff Olins and Saunders Design. Pentagram meanwhile, remains unconvinced of the merits of a public flotation.

The discovery by many consultancies of the value of having a marketing director has brought them immense commercial benefits. It is to be hoped that design consultancies will soon discover the benefits of managing their own strategic development. The disciplines imposed upon public companies can often quicken this process, and create a greater respect for the merits of design and design consultancies on behalf of the client.

Neil Blackley is marketing services analyst at James Capel and Co.

Design in British Business 4

Manufacturers have won 25 Design Council Awards this year, for a wide variety of products. A number of them are discussed in detail here

Skeleton on a budget

A LONG wait to borrow a skeleton for lessons in the London primary school where Mr Richard Miller taught led him to design his own, using skills in mathematics and origami (Japanese paper folding).

The full-size, articulated male skeleton which is the result, is made in two weights of printed card and takes 10 to 14 hours to assemble from 10 flat sheets. It is in demand as a teaching aid in schools, and among students up to university level. More than 7,000 have been sold since it was launched at an international fair in March 1984.

The judging panel was impressed that such an accurate representation of the human skeleton could be achieved at a relatively low cost—it sells for £25 against about £250 for plastic models, while the real thing is now virtually unobtainable.

Mr Miller, aged 39, conceived the idea seven years ago. He made detailed anatomical drawings, studied real bones, and developed techniques of converting the three-dimensional bones into two-dimensional drawings on card which could be pressed out and folded into shape. Inspiration for the skull came from the convex and concave form of a MacDonald's apple pie carton.

The kit slots and clips together, and no glue or scissors are necessary. Each piece is marked with the anatomical name so that, in putting the figure together—following graphic instructions—students learn the position and function of every bone in the body.

DECORATIVE CONSUMER AND CONTRACT GOODS

Movement of joints is close to the real thing, with the correct hinge and ball socket joints and turning range of the head, for example. Even the rib cage can be expanded and contracted to approximate the movement of respiration. Plastic and real bone skeletons have their ribs wired together.

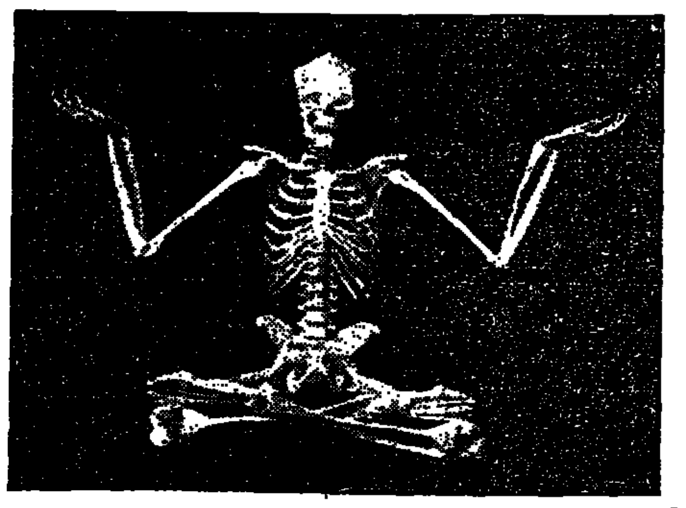
"The skeleton is unique in the degree of realistic articulation which can be achieved," Mr Miller says. "Knees bend, shoulders shrug, the head nods and turns. It is so true to life that we had to reinforce the base of the spine to prevent wear occurring as it does in the human back."

To manufacture and market the product, Mr Miller went into partnership with Mr Bryan Fisher, a former toy manufacturer, to form Fisher-Miller. They enlisted a top graphic designer, Mr Fredun Shapur, and found a company which could supply the right quality and width of card, Tullis-Russell of Fife.

Special cutter-creaser dies had to be designed to form the 10 sheets. Printing is done by Grillford of Milton Keynes. Collation, packing and shrink wrapping is carried out at Fisher-Miller's new factory at Malton, Yorkshire.

The kit sells in Britain through museums, anatomical model suppliers, craft and hobby shops and medical bookshops. It is also selling in the US and Canada, Switzerland, West Germany and Iceland. Agreements have been reached to distribute in the Far East, including Japan.

Michael Strutt



Seating for the disabled

THE MATRIX seating and body support system is a formable, jointed plastic sheet which can be made into custom-fitted chairs for people with serious deformities or disabilities, such as paraplegia and tetraplegia.

The sheet consists of a series of star-shaped ball and socket joints which allow movement while a specialist fitter forms it round the patient. The joints are then clamped with a screwdriver, and the chair mounted in a frame or approved wheelchair.

The idea was originated by Mr Steven Cousins, aged 36, a research associate at the department of mechanical engineering, University College London. It was developed with funding from Action Research for the Crippled Child and research assistance from University College's bioengineering centre.

Matrix overcomes a number of limitations in the normal method of making special chairs, which require vacuum-formed plastics. The plastics method is time consuming; children rapidly grow out of the fixed shape; and some severely handicapped adults cannot be subjected to the shaping needed to make the mould.

The Matrix fitter can see and touch the patient through the plastic joints, which makes the work easier and more accurate. Finished chairs can be adjusted to take account of growth.

MEDICAL EQUIPMENT

The award judges commented: "This is an exceptional example of a design from an academic research environment which has been translated successfully into a commercial product. The system has outstanding merit."

The manufacturer is Clinical Engineering Designs, of Kingston-upon-Thames, Surrey, which was founded in 1982 to make and market the system under licence from University College, London.

The company, with a staff of three, distributes the kits after they have been made in a workshop for the disabled. It also provides training for the fitters, who are attached to hospitals and insurance schemes.

Mr Phil King 38, the managing director, says more than 3,000 chairs have been sold in European and Scandinavian countries, the US, Canada, Australia and Japan.

"The system is fully adjustable and can be used, for example, to put some patients in a more upright position so that they can gain more bodily control, or to help improve a patient's posture."

Michael Strutt

Keyboard aid for theatres

FEW THEATREGOERS are likely to give much thought to what happens when they book a seat. They simply want to be told which seats are available, their price and their position.

But these days the box office paper plans covered with hieroglyphics are rapidly being replaced by graphics-based computer systems of the kind which have just won Space-Time Systems of London their Design Council Award.

Instead of marking the plan and using other paper and pencil aids, the box-office staff use a screen and keyboard terminal.

Since its launch three years ago, BOCS (box office computer system), has been surprisingly successful in the rather tradition-bound theatre world. The market in general has been activated, so that the number of computerised box offices in the UK has risen from 10 in 1981 to over 80 today.

COMPUTER SOFTWARE

Space Time Systems claims it has supplied 70 per cent of them and since last autumn the company has trebled its workforce to 75 people. Since start-up in March 1981 it has won business worth over £6m.

BOCS is a good example of computer software engineering applied to a specific market niche.

Instead of plunging headlong into software writing, however, the STS team used consultants from theatre management to make sure that the system would be acceptable to the box-office staff who would have to use it.

The system produces on the screen a seating plan identical to the traditional paper plan. This, with the use of day-to-day jargon when communicating with the computer, makes BOCS easy for staff to use straight away.

First, the user keys in the date and the performance in which the customer is interested, whereupon the appropriate plan comes up on the screen showing the current status of all the seats. The plans can be amended as necessary if, for example, some seats have to be removed to accommodate a larger stage.

The user keys in the desired price band, presses the "offer" key and the plan will then show the best seats available at that price. If the customer dislikes the choice, the preferred seat can be moved about to another position until he agrees.

A choice of payment method is then made by depressing "cash," "cheque" or "credit card" keys and the ticket is printed.

A valuable feature of BOCS is that several people can sell tickets on a number of terminals with complete assurance that the same seat cannot be sold twice. All the terminals use the same computer memory and a sale on one screen immediately shows up on all the others.

Previously, only the person in possession of the paper master plan could sell.

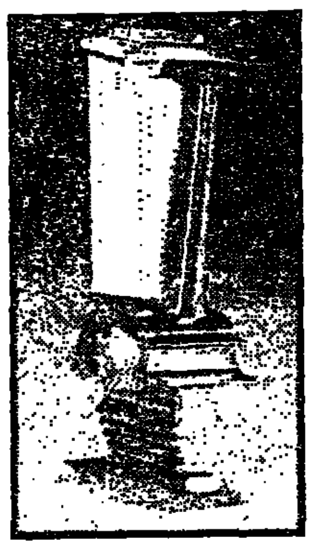
Integrity had to be paramount in the design of BOCS. It uses two Digital Equipment Company machines, usually in the PDP 11 minicomputer series.

Flexibility is also an important requirement. For example, the system can deal with a number of theatres and their performances.

Most of STS's market is in the US, where 12 sites covering 30 theatres, have been equipped. The system is now installed or on order at 39 sites covering 120 theatres in Hong Kong, Malaysia, Australia, the Netherlands, the US and the UK.

Last autumn STS set up a bureau system for small theatres unable to afford the £60,000 minimum price of BOCS. Theatregoers simply telephone a number the theatre has previously advertised and are connected to a BOCS operator who offers seats. The caller pays by giving his credit card number. So far 22 theatres are using the service.

Geoffrey Charlish



Stronger aircraft part

ENGINEERING COMPONENTS

ROLLS-ROYCE has won an award for its skill in developing an aircraft engine component whch is 100 times more reliable than the part it replaces. This year's award, the company's third in two years, is for the design and production of directionally-solidified high pressure turbine blades for use in Rolls-Royce RB211 engines.

The judging panel thought that again Rolls-Royce had successfully designed and developed a product with a "remarkable reliability record, applying technology with great skill."

First stage, high-pressure turbine blades operating at 1,225 deg C have some of the shortest working lives of any jet engine components. The original forged blades used in earlier versions of the RB211-22B large by-pass fan engine—made of high-strength nickel-based alloy—had a 2,000-hour life, one-fifth of that required by airlines.

The award-winning new blades are made of the same metal but have a life of 10,000 hours and a possible life of 18,000 hours.

Mr Simon Byworth head of engineering at the industrial and marine division of Rolls-Royce and former chief designer for combustors and turbines, says: "The life of the whole engine was limited by the life of the forged blade. There was higher maintenance, higher cost and more spare engines required as well as disruption to airline operations."

"We were looking to improve the service life of the engine and knew that the performance of these blades was of paramount importance."

Directional solidification is a technique for casting metal into components. Conventional casting leaves a "grainy" structure, with a multitude of metallic grains. This structure leaves components relatively weak, especially when operating at high temperatures, as in an aeroengine.

The cooling of the cast metal in directional solidification is controlled accurately. The molten metal solidifies progressively along its length, creating single grains from top to bottom. The final structure has no weak grain boundaries.

Casting enabled R-R to design more efficient passages for the flow of cooling air inside the blades, making them far more temperature-resistant.

The unreliable forged blades in the RB211-22B had an unscheduled engine removal rate of 0.13 per 1,000 flying hours. The directionally-solidified ones have all but eliminated unscheduled engine removals by achieving a rate of 0.0013 per 1,000 flying hours, 100 times less.

Mr Alan Tudor, head of turbine design at Rolls-Royce, Derby says: "This blade is an excellent example of the teamwork between designers, cooling experts, aerodynamicists and production engineers."

Lynton McLain

Litter bin that saves work

DURABLE CONSUMER AND CONTRACT GOODS

A TYPICAL litter bin can hold a quarter to half a hundredweight of rubbish, so with, say, 10 full bins in a retail store it is possible that at the end of each day someone could have up to 5cwt of material to shift.

And after the 100,000 spectators at a Wembley football match have drifted away, 5 tonnes of litter are left behind.

To empty standard bins operators have to lift the rubbish up to the top of the container, on average 30 inches vertically, increasing the risk of back injury. A further problem with standard bins is that they can be set on fire by discarded cigarettes, or deliberately by vandals.

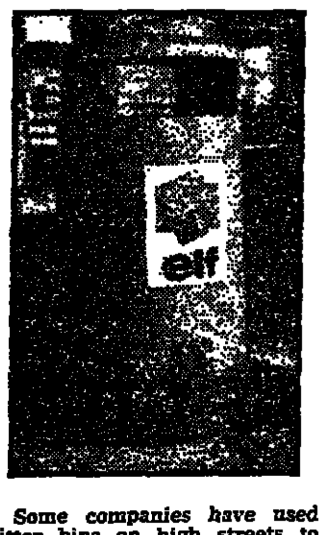
Now a Blackpool-based company, Glasdon has come up with an answer. The Topsy bin has been designed so that only 7in of vertical lift, out of a lockable plinth, is necessary, reducing physical effort by 40 per cent.

An optional fire-extinguishing device, fitted inside the cover, consists of a metal plate which is released by a renewable plastic washer that softens rapidly when a fire starts. The plate drops and seals the inner liner, starving the fire of oxygen.

The bin is also an attractive piece of environmental furniture. The basic Topsy bin costs £70 and the Firespire version £8 extra.

The designer, Eric Palmer at Glasdon, was briefed to design a litter bin to be the company's primary product for the next five years. To find what was needed he talked to customers, the people who buy and use bins.

Any lock incorporated had to be vandal-resistant, easily operated and tamper-proof. With conventional bins, bubble gum and matchsticks, for example, can be used to interfere with locks. The Topsy lock is designed so that anything which is inserted into it falls through.



Some companies have used litter bins on high streets to promote a product or their name. This form of sponsorship has increased by 600 per cent since 1980. Others use bins to create an upmarket, "tidy" image on their own premises. That market has grown by over 1,500 per cent in the same period.

Large stores, such as Sainsbury's, B & Q, and W. H. Smith, now site bins with the company logo in car parks and at the back of checkout areas where customers would otherwise drop unwanted receipts.

Glasdon is currently negotiating with British Rail and local authorities to install the Topsy containers, in both BR and Commonwealth Games colours, in Edinburgh's Waverley Station and throughout the city, ready for the games this summer.

The company already has connections with BR, having supplied it with bins for its national campaign to improve public litter awareness, a campaign which, last September, won BR the National Keep Britain Tidy Award. Glasdon estimates that the Commonwealth Games contract is worth £30,000.

Alastair Guild

FT COMMERCIAL LAW REPORTS

Chartered Surveyors' code of conduct is restrictive agreement

ROYAL INSTITUTION OF CHARTERED SURVEYORS v DIRECTOR-GENERAL OF FAIR TRADING

Court of Appeal (Lord Justice May, Lord Justice Ralph Gibson and Lord Justice Stocker). February 28, 1986.

THE CHARTER and by-laws under which chartered surveyors operate constitute a multilateral agreement between themselves under which they accept certain restrictions in the exercise of their profession, and which is not immune from restrictive practice legislation on the grounds that the charter was granted by the Crown.

The Court of Appeal so held when dismissing an appeal by the Royal Institution of Chartered Surveyors (RICS) from Mr Justice McNeill's answers to preliminary questions in proceedings against the Director-General of Fair Trading for removal of RICS particulars from the register of restrictive agreements.

The Restrictive Trade Practices Act 1976 provides: "(1) Every agreement to which this Act applies . . . is subject to registration . . . (2) The Director General of Fair Trading continues charged with the duty—(b) of entering . . . in the register . . . (i) particulars duly furnished . . . by parties to the agreement . . ."

Section 11: "The Secretary of State may . . . direct that this Act shall apply to agreements . . . which—(a) are agreements between two or more persons carrying on business . . . in the supply of services . . . and (b) are agreements under which restrictions . . . are accepted by two or more parties."

Section 43: ". . . 'agreement' includes any agreement or arrangement, whether or not it is intended to be enforceable . . ."

LORD JUSTICE MAY said that the RICS felt in difficulty as to whether it should register its charter, by-laws and regulations as particulars under the restrictive trade practices legislation.

On one hand the combined effect of section 13 of and Schedule 1 to the Restrictive Trade Practices Act 1976 appeared to exclude surveyors from the obligation to register. On the other hand, there was a question whether all the services provided by RICS members fell within the exempting definition in paragraph 12 of Schedule 1.

The RICS decided to register its particulars to avoid any statutory penalty if registration was required.

Thereafter, in December 1978, it applied to the Restrictive Practices Court for an order that the register be rectified to remove the documents.

Mr Justice McNeill ordered certain preliminary question of law to be decided, including whether the RICS supplemental charter of 1973 together with its by-laws and regulations, constituted a multilateral agreement between RICS members; and if so, whether the agreement was one to which the Act did not apply because the RICS was constituted by Royal charter.

The judge answered the first question in the affirmative, and the second in the negative. The RICS appealed.

The original charter was the Royal Charter of 1881, granted under the Royal prerogative. Supplemental charterers had been granted and amendments allowed. The present instrument under which the RICS was constituted was the supplemental charter of 1973.

It gave power to make by-laws, regulations and amendments. An applicant for election as a member was required to promise to abide by the charter and by-laws.

Section 1 of the Restrictive Trade Practices Act 1976 provided that every agreement to which the Act applied was subject to registration.

It was not in dispute that if the 1973 Charter, by-laws and regulations constituted or contained a multilateral agreement between RICS members, then by that agreement restrictions were "accepted by two or more parties" within section 11(1)(b).

The judge was satisfied that there was a multilateral agreement.

Mr Lever for the RICS contended first that the charter was a grant by the Crown and as such could not be an "agreement or "arrangement" [see section 43] between members *inter se*; and second, undertakings in common form given by members on election were not subject to registration because only the one member giving the undertaking accepted a relevant restriction.

Mr Ferris for the Director of Fair Trading, submitted that there was consensus among all the members to be governed by the General Council, which was representative of all the members.

In *Basic Slag (1963) LR 4 RP 116* a draft common form of agreement with the company was executed by all eight company members, regulating the terms on which they supplied it with fertilizer by-product. None of the members would have agreed to the company entering into a different agreement with another member.

Mr Justice Cross refused to declare that the agreements were not within the Restrictive Trade Practices Act 1956, the forerunner of the 1976 Act.

His decision was upheld in the Court of Appeal. Lord Justice Willmer, considering the meaning of "arrangement" said at page 45, "the Act of 1956 clearly contemplated that there may be arrangements which are not enforceable by legal proceedings but which created moral obligations, or obligations binding in honour."

The multilateral arrangement in *Basic Slag* was to be contrasted with a series of merely bilateral agreements or arrangements, as was held to exist in *Fisher [1982] ICR 81.*

That case concerned the management of greyhound racing and the activities of the National Greyhound Racing Club, a limited company acting as judicial body for the discipline and conduct of greyhound racing. The Restrictive Practices Court held that agreement between persons licensed by the Club was not subject to registration.

The decision was upheld in the Court of Appeal. Lord Justice Waller said that mutuality was essential—"there has to be a meeting of minds." Lord Justice Kerr said it was necessary to establish some manifestation of "common will" of the persons alleged to be engaged in restrictive practice.

Sir David Cairns emphasised the contrast between a number of bilateral agreements, and a multilateral agreement. He said "for there to be an agreement between all the parties there must be a meeting together of all their minds."

As concepts the multilateral agreement which was within the Restrictive Practices legislation, and bilateral agreements which were not, were not readily appreciable. The answer might largely be a matter of first impression, supported by the concepts of mutuality, reciprocity and perhaps equitable estoppel.

For that reason the legalistic approach adopted by Mr Lever might lead one into error.

Although the RICS was by virtue of its charter a corporation sole, nevertheless in another sense it comprised its members. By the charter and by-laws management and control of its affairs were vested in the General Council, which was elected by RICS members. Once elected, the chartered surveyor was required to observe the rules of conduct and be subject to the disciplinary procedures.

Such rules of conduct no doubt principally governed his relationship with clients and the public. Nevertheless in a number of instances they also governed his relations with other members.

Although a member probably made personal bilateral agreement or arrangement with the RICS in the cousre of his profession, no doubt he was also bound, maybe in honour only, to comply with the provisions of the charter.

Such provisions were entirely analagous to the rules of an unincorporated association where each new member on joining knew he would be bound by agreement with all his fellow-members. The RICS was the creature of its members.

Mr Justice McNeill was upheld on the first point.

On the second point, Mr Lever submitted that the 1976 Act did not bind the Crown and thus an agreement to which the Crown was a party could not be registrable under the Act.

Mr Ferris accepted that the Act did not bind the Crown, but he referred to *A-G v Hancock [1940] 1 KB 427* where Mr Justice Wrottesley said that "if an Act . . . would otherwise divest the Crown of its property, rights, interest or prerogative, it is not to be construed as applying to the Crown unless . . . mentioned . . . expressly or by necessary implication."

When one said the 1976 Act did not bind the Crown, all that involved was that it was not to be construed as having any of the effects prejudicial to the Crown referred to in that dictum.

Mr Ferris submitted rightly that the mere fact that a body was incorporated by Royal Charter did not confer on it Crown immunity. Nor did the mere fact of incorporation by Royal Charter exempt the corporation from the ordinary common law rules relating to restraint of trade (see *Dickson [1970] AC 403, 440*).

Application of the 1976 Act not to the Crown but to a chartered corporation such as the RICS, would only conflict with the Crown's prerogative if the prerogative authorised the Crown to create chartered corporations free from the effect of the restrictive trade practices legislation.

The Crown had no such extended right or prerogative.

The judge was correct in the answers he gave. The appeal failed.

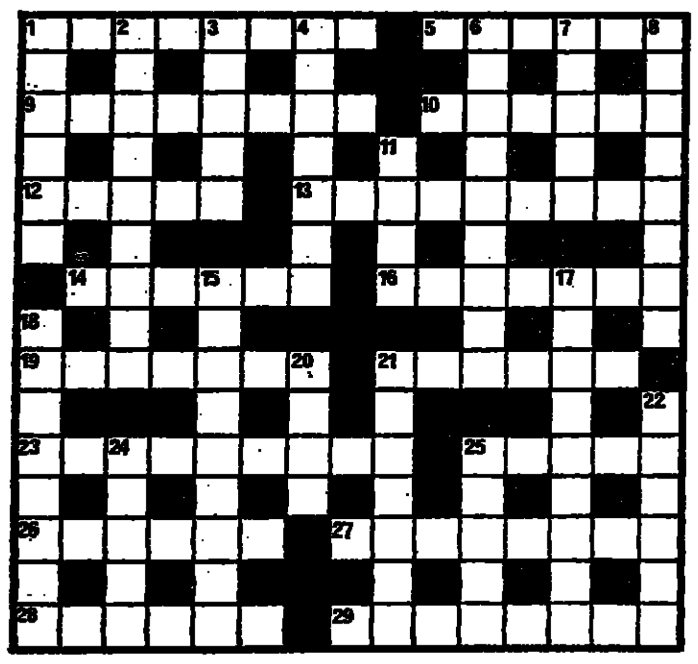
Lord Justice Ralph Gibson and Lord Justice Stocker agreed.

For the RICS: Jeremy Lever QC and Christopher Bellamy (Linklaters and Paines).

For the Director: Francis Ferris QC and David Oliver (Treasury Solicitor).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,972



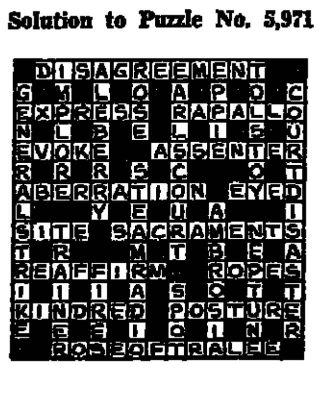
ACROSS

1 Benevolent shaft-sinker? (4-4)
5 Clear account and leave (6)
9 Share a pound—it is reasonable (8)
10 Bird using middle voice in Latin (6)
12 Some cameras easily efface print—— (5)
13 —— using this technique, petal semi-opens (4-5)
14 A cigar put out creates fungus (6)
16 One learning to get locomotive on points? (7)
19 Depression brought on by the weather —— (7)
21 —— getting hazy, by taking in real change (6)
23 Tired after bowling spell—and blown, perhaps (9)
25 Clwyd town used by old strikers? (5)
26 After outing, do go back and stand for photographer (6)
27 Wrongly aspire to come between both sides in retaliation (8)
28 Eccentrics have status in Civil Service (6)
29 Submarine position of the cedilla, we hear (8)

DOWN

1 Hastings, for example, is where the buck stops (6)
2 The garlic to make us drowsy (9)
3 Harassed flock? (5)
4 Accommodating material of many bands? (7)
6 Coward's noted parade (9)
7 A French international to take the lid off (5)
8 Surrounded by lead, teeth damaged and bloody (8)
11 Speaking-clock to ring back? Leave it out! (4)
15 Rhizome in burrow with animals (9)
17 Youth who made a bloomer? (9)
18 A cryptographer's ruse of simply taking initial characters (8)
20 Regular, like firm overturned (4)
21 Bird who has a beer before noon (7)
22 Girl with a heavenly body—(6)
24 — girl first heard at Covent Garden? (5)
25 Smithy's counterfeit (5)

Solution to Puzzle No. 5,971



APPOINTMENTS

Devitt Group changes

Mr P. R. Lawrence has retired as chairman and from the board of Howson F. Devitt and Sons and is succeeded by **Mr J. M. Horwell**, who will continue as managing director. Mr Lawrence will retire as chairman and from the board of DEVITT GROUP on June 13 when he will be succeeded as chairman by **Mr E. H. Sharp.**

★

Changes in the senior management organisation of CSR will be implemented over the next four months. The board has decided to appoint **Mr W. A. Bennett, Mr I. G. Burgess, Mr J. G. Campbell** and **Mr E. F. Herbert** as directors under Article 88 from March 6. **Mr A. W. McAuley, Mr D. P. C. Sawyer** and **Mr V. G. Swindon** become executive general managers, also from March 6. Messrs. Bennett, Burgess, Campbell, Herbert, McAuley, Sawyer and Swindon will, together with **Mr B. N. Kelman** as general manager and chief executive officer, comprise the executive general management group of the company.

★

Mr John Thomson has been appointed a non-executive director of THOMAS BORTHWICK. Mr Thomson, who was formerly deputy chief executive of Brooke Bond, is chairman of London and Manchester Group and a director of a number of companies including J. Bibby & Sons, C. Czarnikow, Mackays Stores and Scottish and Newcastle Breweries.

★

The following appointments have been made by DEWEY WARREN HOLDINGS and Lloyd's broking subsidiary Dewey Warren and Company as part of its management reorganisation. **Mr Charles Norton-Smith** has been made managing director of the company and the group. At DEWEY WARREN AND CO **Mr Simon T. Morrison** has been appointed chairman, **Mr Ian R. Crighton** and **Mr Anthony Pointing** become joint managing directors, and **Mr John W. J. Spencer** a director. **Mrs Carol A. Maccabe** has been appointed company secretary. **Mr Alfred T. Day** and **Mr Paul Daly** have been made executive directors (these positions are not board posts).

★

HEATRAE SADIA has apointed **Mr Andrew Brown** to the board. He is personnel director and company secretary of Heatrae Industrial and Heatrod Elements.

★

Mr Arthur Kennedy has been appointed vice-president of European operations by MOLECULAR COMPUTER. He was managing director and remains chief executive of the company's UK subsidiary, which he founded in 1982, one year after the company was originated in San Jose, California.

★

LINGARD has appointed **Mr Nicholas Sherman** as marketing director for group companies Standard & Pochin, Watkins & Watson and Lingard Engineering.

Mr M. G. Redgwell (Butler Till) has been re-elected chairman of the STERLING BROKERS' ASSOCIATION. **Mrs A. M. P. Howorth** (Fulton Prebon Sterling) has succeeded **Mr M. J. Warren** (M. W. Marshall) as deputy chairman and **Mrs J. Clarke** (CIPFA Sterling) has been elected honorary secretary and honorary treasurer.

★

AGB RESEARCH has appointed **Mr John Napier** as chief executive from April 1. He joins from James Hardie Industries, an Australian company, where he was an executive director. He was previously a senior executive with Reed International in the UK.

★

From April 1 **Mr Reg Rudd** becomes managing director of PPG GLASS (UK). He is sales director and will succeed **Mr David Knowles-Leak** who will still retain overall responsibility for the company in his new capacity as sales director, PPG Boussois SA, with responsibility for that company's main European export markets. Mr Knowles-Leak will be based in Paris.

★

The management board of the BRITISH NATIONAL SPACE CENTRE (BNSC) is: Chairman—**Mr Roy Gibson,** director general BNSC; members: **Mr Hugh Fish** — chairman of the Natural Environment Research Council; **Dr John Houghton** — director general of the Meteorological Office; **Mr Alistair MacDonald**—deputy secretary, Department of Trade and Industry; **Mr Tom Mayer** — chairman of the UK Industrial Space Committee; **Prof Bill Mitchell**—chairman of the Science and Engineering Research Council; **Mr Robin O'Neill** — assistant under secretary, Foreign and Commonwealth Office; **Prof Kenneth Pounds** — director of the X-Ray astronomy group at Leicester University; and **Rear Admiral John Slater**—assistant chief of Defence Staff (policy and nuclear).

★

Sir Ronald Halstead will join the board of DAVY CORPORATION as a non-executive director and **Mr Peter L. Waite** and **Mr Roger T. Kingdon** will become executive directors from April 1. Sir Ronald is a former chairman and chief executive of the Beecham Group and has recently been appointed deputy chairman of British Steel Corporation. Mr Waite joins Davy from Matthew Hall, where he has been deputy group chief executive since 1981. He becomes a chief executive of Davy McKee responsible for all petroleum and chemical engineering operations in the UK, US and West Germany. He will be based in London. Mr Kingdon is a chief executive of Davy McKee with responsibilities for its Teesside, Australian and South African companies. He will remain based in Stockton.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth				0345 717373
High Income				
Gilt & Fixed Int.	117.3	124.1xd	−1.0	9.67
High Inc Equity	89.7	95.4	−0.5	5.19
Worldwide Bond	176.5	189.1xd	+0.7	5.13
Capital Growth				
American Growth	154.3	164.1	+2.6	0.76
Asian Pacific	38.7	41.6	−0.8	3.00
Assets & Energy Tt.	96.1	102.7		1.54
Capital Reserve	61.3	61.4xd	−0.9	1.64
Commodity & Energy	66.3	70.9xd	+0.9	1.54
European Capital	80.2	85.3	+1.9	1.76
General	136.2	145.4	−0.4	2.92
Japan	63.1	67.5	+2.0	—
Mastertrust	58.1	61.8	+1.0	1.62
UK Growth Acc Units	125.5	134.9		1.14
UK Growth Dist	87.7	94.2	−0.1	1.63
U.S. Emerging Co's	61.1	65.6	+1.2	0.40
Equitas Prog.	195.0	207.6	−1.3	3.43
For Aitken Hume see Sentinel Funds Mngmnt Ltd				
Allied Dunbar Unit Trusts PLC (a)(g)				
Allied Dunbar Centre, Swindon, SN1 1EL				(0793) 610366 & 28291
Balanced Trusts				
First Trust	219.6	233.9xd	−0.2	3.27
Growth & Inc Trust	132.4	141.0	−0.5	3.26
Capital Trust	230.7	245.7	−0.6	2.67
Balanced Trust	354.3	377.3	−1.1	3.24
Accum Trust	540.9	576.0	−0.6	3.06
Income Trusts				
American Income Tst.	30.7	32.7xd	+0.5	4.13
Brycourt Unit Trust Mgmt Ltd(a)(c)(d)				
Hesketh Hse, Portman Sq, W1H 0JR				01-935 6382
Income Growth	134.5	141.5		4.77
Buckmaster Management Co Ltd (a) (c)				
The Stock Exchange, London EC2P 2JT				01-588 2868
General Inc Mar 13	207.4	218.1	+10.8	3.12
Accum Units Mar 13	326.7	343.5	+16.7	3.12
Income Mar 12	98.3	103.3	..	4.78
(Accum Units) Mar 12	168.8	177.3		4.78
International March 11	114.8	119.9	..	2.05
(Accum Units) March 11	151.8	158.5		2.05
Smaller Co's Mar 7	980.7	1,045.5	...	3.09
(Accum Units) Mar 7	1,035.5	1,103.9		3.09
CS Fund Managers Limited				
125 High Holborn, London WC1V 6PY				01-242 1148
CS America Fd	56.1	59.7	+1.0	0.84
CS Japan Fund	67.7	72.0	+2.5	0.20
CS Portfolio Inv. Fd.	65.1	69.3xd	+1.5	2.89
Canada Life Unit Trust Mngrs. Ltd				
2-6 High St, Potters Bar, Herts				P Bar 51122
Can. Gen. Dist.	111.1	117.0xd		2.74
Do. Gen. Accum	173.8	183.0	−0.1	2.74
Do. Income Dist.	76.5	80.4	+0.2	5.60
Do. Inc. Accum	152.5	160.5	+0.4	5.60
Gilt & Fxd. Int. Trust	38.4	40.4xd	−0.2	—
Cannon Fund Managers Ltd (z)				
1 Olympic Way, Wembley, HA9 0NB				01-902 8876
Growth	276.0	293.6	+3.7	2.76
Income	316.0	336.2	+4.1	4.36
Far East	149.9	158.8	−0.4	0.65
North American	141.9	151.0		0.71
Capel (James) Mngt. Ltd				
100 Old Broad St, EC2N 1BQ				01-621 0011
Capital	341.1	359.1	..	1.83
Income	270.6	284.9	.	4.68
North American	268.0	282.2		1.40
Prices on March 12. Next dealing March 19				
Cater Allen Unit Tst Managers				

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Oppenheimer Fund Mngt Ltd
66 Cannon St London EC4N 6AE

Pearl Trust Managers Ltd (a)(g)
252 High Holborn, WC1V 7EB 01 405 8441

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames

Prolific Unit Trusts
222 Bishopsgate, London EC2

Providence Capitol Fd. Mgrs. Ltd
30 Uxbridge Road, London W12 8PG 01 749 9111

Provident Mutual Unit Trust Managers Ltd.
25 31 Moorgate, London EC2R 6BA 01-588 3903

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-69 Ilford Hill, Ilford, Essex IG1 2DL 01 478 3377

Quilter Management Co Ltd

Reed Stenhouse Inv Services Ltd

Reliance Unit Mgrs. Ltd

N.M. Rothschild Asset Management

Rowan Unit Trust Mngt. (a)

Royal Life Fd. Mgmt. Ltd

Royal London Unit Tst Mgrs Ltd

Royal Trust Can. Fd. Mgt. Ltd

SKG Management Limited

Save & Prosper Group

Schroder Unit Trust Managers Ltd

Scimitar Asset Management Ltd

Scottish Equitable Fund Mgrs. Ltd

Scottish Life Investments

Scottish Mutual Investment Managers Ltd

Scottish Provident Inv. Mgt. Ltd

Scottish Unit Managers

Scottish Widows' Fund Management

Sentinel Funds Mangmt Ltd

Standard Life Trust Mngmt. Ltd

Stewart Ivory Unit Trust Mgrs Ltd (a)
45 Charlotte Sq, Edinburgh

Sun Alliance Fund Management Ltd
Sun Alliance House, Horsham 0403 56293

Sun Life Trust Mgmt. Ltd
107 Cheapside London EC2V 6DU 01 606 6010

Swiss Life Pen. Tst. Man. Co Ltd (a)(c)
99 101 London Rd Sevenoaks 0732 450161

TSB Unit Trusts (b) (c) (y)
PO Box 3 Keens House, Andover, Hants SP10 1PG

3i Unit Trust Managers Ltd

Target Trust Mngrs. Ltd (a)(g)

Touche, Remnant Unit Trust Mngt Ltd

Trades Union Unit Trust Managers Ltd

Transatlantic and Gen. Secs. Co (y)

Tyndall Managers Ltd(a)(b)(c)

UK Provident Unit Trust Managers Ltd

Unit Trust Account & Mgmt. Ltd

Vanguard Trust Managers Ltd

Wardley Unit Trust Managers Ltd (a)

Waverley Asset Management Ltd (a) (c) (g)

WestAvon Unit Trust Managers Ltd(a)(c)

Whittingdale Unit Trust Managers

Wright Seligman Fund Managers Ltd

The Yorkshire General Trust

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Aetna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Ass. Co Ltd

Baltic Assurance Funds

Barclays Life Assur. Co Ltd
252 Romford Road, London E7

Black Horse Life Ass. Co Ltd

British National Life Assurance Co Ltd

Canada Life Group

Cannon Assurance Ltd

Chase de Vere Investments Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance

Clerical Medical/Fidelity International

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Commercial Union Group

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Life Ass. Ltd

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Devonshire Life

Eagle Star Insurance Co Ltd

Eagle Star Insur. Midland Assur.

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Federation Mutual Insurance Ltd

Framlington Life Insurance Ltd

Friends' Provident Life Office

GT Management Ltd

General Accident Linked Life Assurance(z)

Assicurazioni GENERALI SpA

General Portfolio Life Ins. Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Ass. Soc. Ltd

Guardian Royal Exchange

GRE Pension Management Ltd

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Imperial Life Ass. Co of Canada

Imperial Life (UK) Ltd

Irish Life Assurance Co Plc

The LAS Group

Langham Life Assur. Co Ltd

Legal & General (Unit Assur) Ltd

Kingswood House, Kingswood, Tadworth, Surrey KT20 6EU

Legal & General Prop. Fd. Mgrs. Ltd

Liberty Life Assurance Co Ltd

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Group

MGM Assurance

Manufacturers Life Insurance Co (UK)

Manufacturers Life Ins. Co (UK)—Contd

Merchant Investors Assurance

Municipal Life Assurance Ltd

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

National Mutual Life

National Mutual of Australasia

National Provident Institution

Norwich Union Insurance Group

PBR Fund Management Ltd

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Property Growth Assur Co Ltd—Contd

Providence Capitol Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Provincial Life Assurance Co Ltd

Prudential Assurance Co

Prudential Pensions Limited

Reliance Mutual

Royal Life Insurance Ltd

Save & Prosper Group

Schroder Life Assurance Ltd

Scottish Amicable Investments

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

هكذا من الأصل

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $16.17 | +0.06 | —

World Wide Growth Management⊕
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.03 | +0.02 | —
Inv Adv M & G Inv Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $14.49 | +0.05 | —
Dynamic Gwth Fd ... $13.55 | +0.12 | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.66 12.35 | .. | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.40		—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.90	9.64	14.19	6mth
7-day Fnd	12.91	9.65	14.20	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.76	9.55	13.97	6-Mth
7-day Fund	12.58	9.40	13.74	6-Mth
Dollar	6.49	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc.	11.50	8.50	12.53	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.00	8.97	13.26	Qtr
Mth. Int. Chq.	12.00	8.97	13.36	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
HIBCA	12.60	9.43	14.05	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11.05	8.25	12.24	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	11.50	8.50	12.54	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD. 01-588 2777				
Cater Allen	12.00	8.97	13.3544	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.25	9.16	13.64	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.25	4.25	4.33	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	—	9.05	13.47	Mth
Co-operative Bank Cheque & Save 78-80 Cornhill EC3 01-626 6543				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.06	9.02	13.33	Qtr
Darlington & Co Ltd Darlington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc.	12.00	8.97	13.24	Qtr
Edward Manson & Co Ltd 9 Henrietta Place W1M 9AG 01-631 3313				
Cheque Deposit Acc.	12.50	9.34	13.93	Mth
Henderson/Bank of Scotland 38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	11.05	8.25	12.24	Mth
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	12.04	9.00	13.14	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	11.75	9.00	13.30	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	12.00	8.970	12.814	—
M & G/Kleinwort Benson 91-99 New London Rd, Chelmsford. 0245 51651				
H.I.C.A	12.00	8.97	13.37	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	11.71	8.75	12.92	Qtr
£10,000 +	12.04	9.00	13.30	Qtr
Oppenheimer Money Mgmnt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct	12.125	9.06	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	12.75	9.53	14.11	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	12.50	9.34	13.82	Mth
Royal Bank of Scotland plc 24 Lombard St, London EC3V 9BA 031-557 0201				
Premium Account	12.05	9.00	13.31	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	11.63	8.70	12.98	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	12.24	9.15	13.53	Qtr
Money Acc.	12.04	9.00	13.29	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc.	12.00	8.97	13.36	Mth
Over £10,000	12.25	9.16	13.64	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 24141				
High Int Chq Acc	12.56	9.39	13.90	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	13
BAT	26	Metal Closures	14
BOC Grp	27	Midland Bk	35
BSR	8	NEI	10
BTR	33	Nat West Bk	55
Babcock	13	P & O Dfd	35
Barclays	33	Plessey	14
Beecham	30	Polly Peck	21
Blue Circle	50	Racal Elect.	15
Boots	24	RHM	12
Bowaters	30	Rank Org Ord	35
Brit Aerospace	32	Reed Intnl	60
Brit. Telecom	27	Sears	11
Brown (J.)	3½	TI	35
Burton Ord	45	Tesco	24
Cadburys	13	Thorn EMI	34
Charter Cons	18	Trust Houses	12
Comm Union	23	Turner Newall	9½
Courtaulds	13	Unilever	90
Distillers	36	Vickers	35
FNFC	12	**Property**	
Gen Accident	55	Brit Land	14
Gen Electric	14	Land Secs	26
Glaxo	188	MEPC	26
Grand Met	30	Peachey	24
GUS 'A'	70	Samuel Props	15
Guardian	68	**Oils**	
GKN	20	Brist. Oil & Min	3½
Hanson Tst.	18	Brit Petroleum	45
Hawker Sidd	36	Burmah Oil	27
ICI	42	Charterhall	4
'Imps'	16	Premier	5
Jaguar	27	Shell	55
Ladbroke	27	Tricentrol	18
Legal & Gen	60	Ultramar	18
Lex Service	24	**Mines**	
Lloyds Bank	35	Cons Gold	40
Lucas Inds	38	Lonrho	12
		Rio T Zinc	58

A selection of Options traded is given on the London Stock Exchange Report Page.

Reagan due to sign Farm Act changes

By Andrew Gowers

PRESIDENT Ronald Reagan *was due yesterday to sign* into law a package of small but significant changes in the US 1985 Farm Act, designed *to soften the impact of budget* cuts on farmers and to reduce by half the amount to be spent on the administration's *export enhancement* programme.

The new legislation, produced just over two months *after the President signed* the original Bill, adjusts the yield formula by which payments to farmers are calculated and could provide the industry with about $350m per year of extra income, according to some Congressional estimates.

It will also bring some relief to the EEC, which is seriously concerned by the *export enhancement* programme. This scheme, under which the Administration was required to spend up to $2bn *over three years* on subsidising commercial exports by contributing extra supplies from its *stockpile* of surplus commodities, was designed to win back markets lost to the community. It has now been cut to $1bn over three years.

Metallgesellschaft's 'vote of confidence' in LME

BY STEFAN WAGSTYL

THE London Metal *Exchange,* which is struggling to recover from the impact of the tin crisis, yesterday received a welcome vote of *confidence from* one of its biggest members and clients — Metallgesellschaft, the West German metals group.

Mr Heinz Schimmelbusch, a director of Metallgesellschaft and of its LME ring-dealing subsidiary Metallgesellschaft Ltd, said that it was in the interests of the group and of its customers that confidence in the LME returned quickly. "We will play our part in *making it* happen as fast as possible."

On Wednesday, Metallgesellschaft announced the acquisition of fellow LME trader Henry Bath and Son from the hard-pressed Australian mining company MIM Holdings. In the all-share deal, which valued Metallgesellschaft Ltd at £34m and Henry Bath at £2m, MIM Holdings took a 33.3 per cent stake in Metallgesellschaft Ltd.

Mr Schimmelbusch said the deal was "a vote of confidence in the LME." Metallgesellschaft and MIM Holdings were both substantial producers of metal, which, together with their customers, would generate strong LME futures *trading* for Metallgesellschaft Ltd.

Mr Schimmelbusch said that *Metallgesellschaft's direct* losses in the tin crisis amounted to the decline in value in its net position of 2,000 tonnes *of metal. He did not quantify* the loss in cash terms. But at pre-crisis prices of £8,900 a tonne the metal would have been worth *some* £17.8m, at yesterday's price of £4,700 a tonne its value would have dropped to £9.4m.

He said the company had decided to sue to recover its money. He described the International Tin Council's default *as "a far-reaching* example of commercial misconduct."

Commenting on demands in the City and in Whitehall for reforms in the way the LME is managed, Mr Schimmelbusch said there was a need for strengthening the existing market, in which ring-dealing members trade with eachother as principals.

The size of the exchange's emergency fund, made up of traders' deposits, could be increased. As could be the minimum capitalisation of ring-dealing members. But Mr Schimmelbusch rejected the argument that the LME needed a clearing house to insulate members from a default by one of them. A clearing-house would be more expensive to run *and less efficient, he said.*

Mr Schimmelbusch confirmed that Metallgesellschaft has bought *some of the assets and business of Andreas* Zieringer Metallhuette, Metallgrosshandel, one of West Germany's largest scrap merchants *which went bankrupt* earlier this year.

Grant for study on Latin American debt

GLASGOW UNIVERSITY announced yesterday that among research grants received recently totalling £540,000, one is of £73,000 from the Economic and Social Research Council for a study of the politics of debt renegotiation in Latin America.

The university said the grant has been awarded to Mr Philip O'Brien and Ms Jacqueline Roddick of the University's Institute of Latin American Studies.

The project will focus on three countries: Brazil, with the largest foreign debt in the world of more than $100bn (£68bn), Argentina $48bn, and Peru $14bn.

The research will concentrate on the political and social consequences of repayments, and the influence these exert on debt renegotiation.

US bids for tobacco and cotton revival with changes in price support system

BY ANDREW GOWERS IN WASHINGTON

WORLD COTTON and tobacco markets are braced for the re-emergence of the US — traditionally the leading exporter of both commodities — as a more vigorous competitor as a result of forth coming changes in its price support system.

For tobacco, Congress is putting the finishing touches to new legislation designed to improve on the current programme. If accepted in referenda later this year by growers, it would permanently lower price supports and allow them to move with market levels, and would dispose over time of the large tobacco surplus which is depressing prices.

This is a similar treatment to that given to most US com*modities in the five year Food* Security Act signed by President Ronald Reagan last December; tobacco is not covered *by this Act but has its own* permanent legislation, revision of which has been attached in Congress to a Budget Bill in *order to speed up its progress.*

Sponsored by, among others, Senator Jesse Helms, the Senate Agriculture Committee chair*man who represents the* biggest tobacco growing state, North Carolina, the Bill's major features include:

- *A permanent reduction in* the support price to around $1.45 for Burley tobaccos and $1.40 for flue-cured tobaccos. *This is 21 per cent below the* 1934 level and about the same as last year's administratively fixed level.
- More importantly, the formula by which prices are calculated in the future is to be changed to reflect an aver*age of previous years' market* prices, with a small allowance for inflation. Previously, the price support formula was indexed to inflation, which brought it well out of line with market levels.
- The formula for calculating growers' marketing quotas would also be changed to reflect a combination of expected purchases by domestic cigarette manufacturers, a three year average of exports and a reserve. Manufacturers would face stiff penalties for failing to buy what they say they will.
- Manufacturers and dealers would also be asked to contribute to the costs of the tobacco programme, which have since 1982 been entirely borne by the growers themselves at no net cost to the Government. This has been increasingly onerous, with the growth to be financed and the drop in world prices. Officials of the US Department of Agriculture say the purchasers appear to be prepared to go along with this plan, in order to ensure stability of supply and for the sake of their political relationship with the growers.
- Finally, the existing tobacco stocks would be sold off to manufacturers over between five to eight years.

Tobacco, arguably the oldest US cash crop, is also the sixth *largest in terms of production.* It is said to generate, directly or indirectly, around 2m jobs, $30bn a year in wages and earnings and $15.5bn *in capital* investment.

The changes have been triggered by America's declining *share of the world market. In* the past 25 years, according to the USDA, tobacco production elsewhere has doubled while *that in the US has halved.* This partly reflects declining US consumption of cigarettes, but also the country's uncompetitively high export prices.

Although US exports of leaf tobacco and tobacco products have held fairly steady—last year they were worth a total of $2.7bn—the country's market share has dropped from 30 per cent in the early 1960s to around 18 per cent in the past couple of years.

In addition, US imports of tobacco are on the increase. Until a few years ago, imported products made up only 15 per cent of the leaf tobacco in an average US cigarette; it now accounts for a third. Repeated attempts by the growers to persuade the Government to erect obstacles to imports have failed.

The result has been a long decline in US marketing quotas and a steady rise in stocks; the current inventory is equivalent to almost one year's production.

For cotton, the position is if anything more serious. The US has been toppled from the number one slot among exporters this season for the first time since officials can remember.

Exports between April and January totalled 1.2m bales—barely 40 per cent of the level in the same period of the previous year.

The value of exports for the whole year is likely to be down from its normal level of $2bn to £1bn, and officials expect both the Soviet Union and Pakistan to exceed US shipments in 1985-86. US stocks are also rising sharply, and are expected to rise to 9.2m bales this year.

The reasons for the decline are twofold: again, *current high* support prices make US cotton extremely uncompetitive in a surplus ridden world market; and importers *are purchasing as* little cotton as possible at present in anticipation of a sharp cut in US prices under *the Food Security Act from* next August.

The cotton provisions of the Act — otherwise known as the *Farm Act — are among its most* radical changes. The Administration has the power to reduce the loan rate (the *official price support level)* from 53.7 cents per round to 55 cents, but more importantly, exporters will be given subsi*dies, in the form of "marketing* certificates" to enable them to match world prices no matter how much lower they are.

Officials expect this to result in a sharp increase in exports from next August. They say the US should swiftly be able to *reclaim its traditional export* volume of around 6m bales a year, and that domestic consumption should also rise.

*They are also bracing them*selves for a barrage of protests against US export subsidies from rival suppliers — particularly developing countries like Pakistan and China.

COTTON EXPORTS
(in millions of 480 lb bales)

	US	World
1978-80	9.23	23.24
1980-81	5.93	19.71
1981-82	6.57	20.23
1982-83	5.21	19.44
1983-84	6.79	19.22
1984-85	6.22	20.28
1985-86	2.30*	19.03*

Source: US Department of Agriculture

John Elliott on expansion plans for Indian agriculture

Spreading the 'green revolution'

THE INDIAN Government has started to prepare its first overall policy documents for agriculture, which will concentrate on boosting production in the country's less developed eastern and *western states, expanding out*put of key crops such as edible oil seeds, and increasing the value of exports with new tech*nology for food processing.*

India produces 145m to 150m tones of food grains a year and is now self sufficient in wheat and rice. It is aiming for self sufficiency by 190 in oil seeds, pulses and fibres. But last year it suffered from excessive stocks totalling over 30m tonnes of food grains, mainly because of the high cost of transporting the stocks a thousand miles or more to potential customers.

Now the Government wants to draw up a comprehensive plan for the agriculture industry, which makes up 35 per cent of India's gross domestic product, provides 29 per cent of its exports and employs 70 per cent of the labour force.

The intention to launch a new policy was announced in *the President's annual speech* to Parliament last month. It will pull together policies that have been developing recently and will follow on from the work of a series of agricultural commissions, the last of which reported in the early 1970s.

Agricultural output rose by an average of 3½ per cent a year between 1980 and 1985 and is *now targetted to grow by 4 per* cent a year to 1990 under the country's new seventh five-year plan.

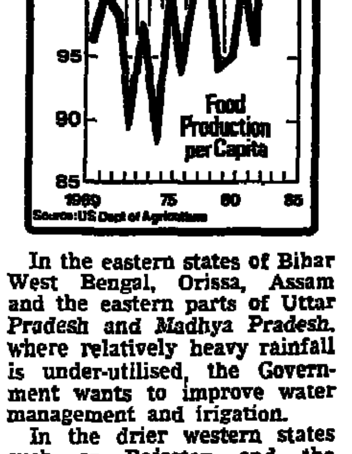
The aim is to spread the green revolution which has boosted production in the northern states of Punjab, Haryana and Western Uttar Pradesh to the eastern and western states, while deversifying the crops of the northern states to help curb imports.

This is intended to continue the drive for higher productivity and to spread the cultivation of crops more evenly around the country. This should, officials believe, help to alleviate the excess stocks problem by cutting down on costly transportation. In the meantime the Government is trying to use up excess wheat with exports which have so far proved difficult and with rural food-for-work programmes.

The targets for the policy were indicated in the Ministry *of Finance's annual economic* survey at the end of last month which said "Emerging distortions in the cropping patterns can no longer be overlooked. Broadly the country's cropping patterns should reflect the overall comparative advantage of regions and take into account the changing demand conditions.

"A rational price structure has to be evolved for both inputs as well as output in order to bring about the desired changes in the cropping pattern. Strengthening of the marketing infrastructure and adequate arrangements for undertaking price support purchases need to be given high priority for the effective implementation of the price policy."

The policy will be based on the assumption that the current total area of irigated land — about 30 per cent of the 357m *acres under cultivation — will* only expand by 5 to 10 per cent and that there is unlikely to be any greater increase in the total *cultivated area.*



In the eastern states of Bihar West Bengal, Orissa, Assam and the eastern parts of Uttar *Pradesh and Madhya Pradesh,* where relatively heavy rainfall is under-utilised, the Government wants to improve water management and irigation.

In the drier western states such as Rajastan and the western areas of Madhya, Andhra Pradesh and Karkataka — widely hit by drought in recent years — the aim will be to improve rain-fed farming, by retaining surface moisture so that fertilisers can be used more effectively.

The Government also wants to improve the impact of its pricing policies and other incentives for farmers so that, for *example, in areas where wheat* is plentiful, they move into other crops. "A good price signal will boost production of *crops like oil seeds,* with farmers switching from cereals," says Mr M. Subramanian, secretary of the Agriculture Ministry.

Mr Subramanian says that production of edible oil seeds, which has lagged well behind expansion of domestic demand, should rise to about 20m tonnes within five years compared with 13.1m tonnes last year and an average of 10.7m tonnes in 1980-85. This is a top priority because the Government wants to cut exports of edible oil which rose by about 20 per cent last year to some 1.5m tonnes

The policy will also aim at *developing infrastructure* facilities and encouraging technological developments which will boost exportable processed fruit, vegetables, *meat and fish.*

Foreign technology will be accepted although the Government is likely to be highly selective. This was indicated last year when an offer was rejected from Pepsico to export processed Indian fruit in return for being allowed to import its Pepsi Cola drink concentrate. "We want high technology, not just brand names," says Mr Subramanian.

LONDON MARKETS

THE IVORY Coast Government has maintained a discreet silence following reports from Brussels that it has changed its mind and is now willing to resume discussions on an international cocoa agreement, writes Peter Blackburn in Abidjan. The reports were made following the return of EEC Development Commissioner, Mr Lorenzo Natali from a three-day visit to Abidjan during which he had talks with President Houphouet Boigny and Agriculture Minister Denis Bra Kanon. A joint communique between the EEC and the Ivorian Minister of Agriculture stressing the "necessity" to reach a "satisfactory" agreement in order to ensure balanced trade in a product of vital economic importance for the Ivory Coast and other producer countries. Although London traders remain sceptical about Ivorian intentions confirmation yesterday of the wording of the communique prompted the recovery of Wednesday's sharp price fall. The May future position ended the day £49 up at £1,545.50 a tonne.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	789-90	+8.0	—
3 months	814-5	+7.0	818/814

Official closing (am): Cash 790-1 (774.5-5); three months 815-5.5 (801-1.5); settlement 791 (775). Final Kerb close: 814.5-15. Turnover: 7,025 tonnes.

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	987-8	+7.0	987/985.5
3 months	1008-8.5	+7.0	1009/1005.5

Official closing (am): Cash 988.7 (972-2.5); three months 1,008.5-7 (993-4); settlement 987 (972.5). Final Kerb close: 1,007-7.5.

Cathodes			
Cash	980 2	+11.0	—
3 months	1002-5	+6.0	—

Official closing (am): Cash 980-2 (965.5-7); three months 1,002-5 (988-90); settlement 982 (967). Turnover: 16,475 tonnes. US Producer prices 68.00-73.00 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	247.5-8.5	—1.0	249-248
3 months	258-8.5	—1.0	260 258

Official closing (am): Cash 248 5-9 (248-8.5); three months 258-8.5 (256.5-7); settlement 249 (248 5). Final Kerb close: 258-9. Turnover: 2,525 tonnes. US Spot: 18.00-20.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per month	+ or —	High/low
Cash	2850-60	+65.0	—
3 months	2930-5	+65.0	2940/2900

Official closing (am): Cash 2,850-60 (2,770-80); three months 2,936.40 (2,875.80); settlement 2,860 (2,780). Final Kerb close: 2,925-30. Turnover: 726 *tonnes.*

TIN

Kuala Lumpur Tin Market — Close: 17.47 ringgit per kg. down 0.02 ringgit.

ZINC

High grade	Unofficial close (p.m.) £ per month	+ or —	High/low
Cash	426.5-75	+3.75	427.5/427
3 months	439-40	—3.25	441/439

Official closing (am): Cash 427.5-8 (424-5); three months 440.5.1 (436-7); settlement 428 (425). Final Kerb close: 439.5-40. Turnover: 2,800 tonnes. US *Prime Western: 30.50-35.75 cents per* pound.

GOLD

GOLD BULLION (fine ounce) Mar. 13

Close	$348 348½	(£238¼-239¼)
Opening	$349-346½	(£237¼-237¾)
M'n'g fix	$349.80	(£239.835)
Aft'n'n fix	$342.60	(£239.698)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$353¼-353¾	(£243 242½)
½ Krug	$183 184¼	(£125½-126¼)
¼ Krug	$93-94	(£63¾-64½)
1/10 Krug	$37¼-38½	(£25¾-26½)
Mapleleaf	$360¼-361¼	(£247¼-247½)
Angel	$358¾-360¾	(£245¾ 247¼)
1/10 Angel	$35 40	(£24-27½)
New Sov	$84½-86	(£58-58¼)
½ NewSov	$50 50½	(£34¼-34½)
Old Sov	$89 90½	(£61-62)
$20 Eagle	$430-470	(£294½ 322)
NoblePlat	$423-427¾	(£289¾-293)

Gold rose $3¾ an ounce from Wednesday's close in the London bullion market yesterday to finish at $348-348½. The metal opened at $349-349½ and *traded between a high of $350¾-351¼* and a low of $347¼-347¾. Gold broke through the $350 level on a number of occasions during the day but failed to attract any follow-through buying and fell back as a result.

SILVER

Silver was fixed 14p an ounce higher *for spot delivery in the London bullion* market yesterday at 397.6p. US cent equivalents of the fixing levels were: spot 578.9c, up 11.9c; three-month 589.1c, up 11.75c six-month 599.15c, up 11.35c; and 12-month 620.25c, up 10 9c. The metal opened at 392½-394½p (577-579c) and closed at 393½-395½p (574-576c).

SILVER per troy	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	397.60p	+14.0	391p	+7.5
3 months	408.65p	+14.1	403.5p	−7.5
6 months	419.00p	+14.1	—	—
12 months	439.50p	+14.2	—	—

LME—Turnover: 6 (76) lots of 10,000 oz.

Cash high/low 393p three months high/low 406p; final kerb 402.5-5.5p.

SOYABEAN MEAL

Commercial buying lifted opening prices by £1.50-£2.00, prompted by weaker currency and a stronger cash market. Speculative and professional selling during the afternoon dampened enthusiasm and prices remained at their earlier levels, reports Muirpace.

	Yesterday close £ per tonne	+ or —	Business Done
Apr	138.0-140.0	+0.75	140.0
June	133.5 134.0	+1.95	133.5
August	130.5-131.0	+1.65	130.5
October	131.5-132.0	+1.50	131.5
Dec.	133.5 134.0	+1.65	—
Feb.	133.5-135.0	+1.25	—
Apr.	134.8-136.0	+1.75	—

Sales: 556 (679) lots of 20 tonnes.

INDICES

FINANCIAL TIMES

Mar. 13	Mar. 12	M'th ago	Year ago
—*	—*	—*	300.47

(Base: July 1 1952=100)

REUTERS

Mar.13	Mar. 12	M'th ago	Year ago
1829.8	1824.4	1841.1	2015.6

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Mar. 12	Mar. 11	Month ago	Year ago
Spot	129.88	129.41	—	116.76
Fut.	134.22	134.18	—	120.63

(Base: December 31 1931=100)
* Not available due to suspension *of tin LME*

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Mar. 13 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1270/290	+5	$1185/205
Copper			
Cash h Grade	£987.5	+7	£983.25
3 mths	£1008.25	+7	£1011.75
Gold Troy oz	$348.25	+3.75	$334.75
Lead Cash	£248	−1.25	£256.25
3 mths	£258.25	−1	£268.25
Nickel			
Free Mkt	189/209c	+3	177/197c
Palladium oz	$111.35	+1.85	$98.50
Platinum oz	$411.00	+0.25	$357.00
Quicksilver †	$220/250		$229/239
Silver troy oz	397.60p	+14.00	413.80p
3 months	408.65p	+14.10	425.75p
Tin cash	‡		‡
3 months	‡		‡
Tungsten	$62.78		$65.62
Wolfram 22.04lb	$54/61		$56/63
Zinc	£427	+3.75	£417
3 months	£439.6	+3.25	£427.75
producers	$650/670		$650/670
OILS			
Coconut (Phil)	$290z	+5	$330
Palm Malayan	$260v	+1.75	$310
SEEDS			
Copra Phil	$195z	+5	$225
Soyabean (U.S.)	$223.5x	+1.9	$221.5
GRAINS			
Barley Fut. May	£116.55	+0.10	£116.80
Maize	£142.00		£146.50
Wheat Fut. May	£118.35		£118.75
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. May	£1549.5	+49	£1645.5
Coffee Ft. May	£2561.5	−31	£2437.5
Cotton A Index	53.10c	−0.85	54.90c
Gas Oil Apr.	$146	+3	$153.5
Rubber (kilo)	60p	−2.25	61.5p
Sugar (raw)	$169z	−2.5	$148.5
Wooltops 64s	418p kilo		428p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. v May. y April-May. z March-April. x April.

RUBBER

PHYSICALS — The London market opened slightly steadier, met persistent *selling throughout the day, and closed* easier, reports Lewis and Peat. Closing prices (buyers: Spot 60.00p (60.25p)—April 59.00p (59.25p); May 59.50p (59.75p). The Kuala Lumpur April fob prices (Malaysia/Singapore cents) *per* kg: RSS No 1 was 196.0 (same) and for SMR 20 196.0 (195.0).

MEAT

Pigmeat sales: 5 (41) lots of 50 carcases, 3,250 kg.

Beef sales: 0 (0) lots of 20 sides.

Pigmeat prices eased slightly due to lower physicals and continued hedge *selling in light volume, reports Eastern* Capital-CCST.

Month	PIGMEAT Y'day close	+ or —	BEEF Y'day close	+ or —
	p. per kilo (deadweight)			
April	104.40	—0.48	194.50	+0.50
May	103.80	—	194.00	—
June	103.10	—0.48	191.50	+1.50
July	102.50	—0.58	185.00	—2.00
Aug.	102.80	—0.58	183.00	+5.00
Sep.	107.00	—1.00	183.00	+5.00

MEAT COMMISSION—Average fat*stock prices at representative markets.* GB—Cattle 97.83p per kg lw (−0.19). GB—Sheep 219.28p per kg est dcw (−1.17). GB—Pigs 78.40p per kg lw (−1.88).

OIL

Trade continued thin, concentrated on forward Brent. April traded at $14.76 *and May at $14.00, each up 75c. Nymex* WTI for April opened 4c up but traded 13c down at 1.15 pm EST. On the products markets gas oil traded thinly in a relaxed market. Naphtha opened *firm on some early buying interest but* talked down later on. Fuel oil was stable in thin trade as traders held off in anticipation of further falls— Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	—	—
Arab Heavy	—	—
Dubai	11.10-11.40	—
Brent Blend	14.50-14.70	+0.70
W.T.I. (1pm est)	13.90-14.00	+0.40
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe *Prompt delivery cif ($ per tonne)*		
Premium gasoline	155-160	—
Gas Oil	178-182	n/a
Heavy fuel oil	88-91	−0.5
Naphtha	128-122	−1/5

Petroleum Argus estimates 6.30 pm

GAS OIL FUTURES

Month	Yesterd'ys Close $ US per tonne	+ or —	Business Done
April	159.50	+0.50	164.75 58.25
May	146.00	+3.00	148.00-45.50
June	140.50	+3.50	141.50 37.50
July	139.75	+2.25	140.00 37.00
Aug	139.75	+4.25	142.00 38.00
Sep.	142.00	+2.00	142.00-41.00
	144.00	—	144.00

Turnover: 3,187 (3,457) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index. ($ a barrel). (Close, change, business done): Index 13.83, +0.42; April 14.50-15.50; May 13.50-14.80; June 14.00-15.00; July 14.10-15.10.

Turnover: Nil (nil) lots of 1,000 barrels.

COCOA

Trade and commission house buying lifted futures to limit-up for the second time this week. Light origin selling was well absorbed and prices closed on a steady note after lively trading, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
March	1549 1552	+3.65	1664.1530
May	1545 1546	+49.0	1566-1514
July	1576 1577	+49.0	1587-1545
Sept.	1603-1606	+49.0	1615-1572
Dec.	1630 1631	+43.0	1640-1602
March	1655 1666	+44.0	1670 1660
May	1680-1690	+46.5	1685-1666

Sales: 5,690 (3,081) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for March 12: 96.03 (97.88); five-day average for March 13: 95.54 (95.10).

COFFEE

Robusta drifted lower in quiet trading as long holders liquidated stale positions, reports Drexel Burnham *Lambert. Prices rallied in the afternoon as New York recovered from a weak opening but with no change in fundamentals the market remained within its recent trading range.*

COFFEE	Yesterday's Close	+ or —	Business Done
March	2500 09	—18.0	2525 2490
May	2560 63	—31.0	2598 2540
July	2621-23	—34.5	2645-2605
Sept.	2680 83	—25.5	2700 2665
Nov.	2730-25	—26.0	2740-2705
Jan	2750 65	—7.5	2715-2750
Mar.	2750-840	+10.0	2778

Sales: 2,703 (3,166) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for March 12: Comp. daily 1979 209.47 (210.47) 15-day average 207.30 (206.61).

FREIGHT FUTURES

The dry cargo market continued lower in thin conditions. Physical market conditions, although quiet, showed minor signs of improvement. Small gains were made in tanker futures despite the downward correction of the index, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
April	838/839	842/834	845/846
July	745/747	745/741	746/746
Oct.	855/860	—	858/860
Jan.	858/866	—	860/862
April	935/955	—	940/950
July	810/825	—	821/822
Oct.	880/930	—	875/930
Jan.	895/935	—	875/955
BFI	745.5	—	742.5

Turnover: 53 (46)

	Close	High/Low	Prev.
Tankers			
Mar.	820/835	840	826/835
April	790/810	800/795	780/800
May	785/795	795	780/800
June	740/800	—	740/795
Sept.	940/1000	—	955/985
Dec.	955/1000	—	970/1000
BTI.	875.5	—	875.5

Turnover: 54 (39).

GRAINS

Old crops were marginally steadier on firmer delivered and fob markets. New crops remained steady on green pound devaluation news, before easing sharply on country hedge selling, reports T. G. Roddick.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Mar.	116.90	—	113.60	+0.50
May	118.55	—	116.35	+0.10
July	119.30	+0.05	—	—
Sept.	99.65	+0.25	98.15	+0.40
Nov.	102.75	+0.50	101.65	+0.40
Jan	105.15	+0.05	105.15	+0.35

LONDON GRAINS—Wheat: US *dark* northern spring no. 1 15 per cent, May 123.00, transshipment East Coast. US no. 2 soft red winter, June/July 95.00. EC first-half March 142. English feed fob Apr/June 122.00, Jan/March 111.50, paid East Coast, March 117.50-118.00, Apr 120.00-120 50, Apr/June 121.50-122.00, Sept 101.25-102.00, Oct 103.25-104.00, Oct/Dec 105.50-106.60, Jan/March 111.50-112.00 buyer/sellers. Maize: US no. 3 yellow/French, transshipment East Coast, March 142 seller. Barley: English feed fob March 117.00 seller, *Apr 118.50-119.50* buyer/seller. Apr/June 121.00 seller, July/Aug 98 00-98.50 buyer/seller. Aug 98.00, Sept 100.00 sellers. Rest unquoted.

SUGAR

LONDON DAILY PRICE—Raw sugar $169.00 (£116.00), down $2.50 (unchanged) a tonne for March-May delivery. White *sugar $191.50, down 50c.*

The market was irregular at the higher levels following the re-emergence of first-hand sellers which blunted Wednesday's advance, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne F.O.B.		
May	160.0-160.8	159.4-159.6	160.8-157.8
Aug	167.0-167.8	165.4-165.4	167.2-165.0
Oct	170.8-171.8	169.2-169.4	171.0-167.8
Dec.	174.0-175.0	172.5-173	
Mar.	180.8-181.4	179.2-179.8	179.4-179.4
May	184.6-185.4	179.2-175.6	—
Aug.	189.0-181.4	—	—

Sales: 1,896 (2,713) lots of 50 tonnes.

Tate and Lyyle delivery price for granulated basis sugar was £221.00 (same) a tonne for export.

International *Sugar Agreement*—(US cents per pound fob and stowed Caribbean ports.) Prices for March 12: Daily price 6.83 (6.50): 15-day average 6.11 (6.03).

No. 6 cif contract—May 179.8-180.0; Aug 185.0-187.0; Oct 190.0-191.0.

Sales: 768 (911) lots of 50 tonnes.

PARIS—(FFr per tonne): May 1370-1375, Aug 1410-1415, Oct 1450-1459, Dec 1470-1490, March 1530-1545, May 1575-1595

US MARKETS

FOLLOWING Wednesday's sharp advance, profit-taking forced gold and silver lower, reports Heinold Commodities. The stronger dollar was also a negative influence but uncertainty ahead of this week*end's Opec meeting* deterred heavy selling. Copper remained barely unchanged with the recent events in the tin *crisis providing support* after an early break on dollar strength. Sugar attracted profit-taking following Wednesday's advance to contract highs. Cocoa firmed on confirmation that the Ivory Coast supports a new cocoa pact and may have already sold most of its production from the current crop year. Disappointment that Brazil did not raise its minimum prices for April export registrations weighed heavily on coffee prices. Cotton attracted trade buying and speculative *profit*-taking following recent rallies on expectations of increased mill purchases. Profit-taking eroded crude and *heating oil* prices but gasoline maintained a firm tone following recent sharp stock drawdowns. *Maize traded* barely higher as expectations for a sharp cut in acreage of next year's crop were offset to *some degree by slack export* demand. Wheat and soyabeans were lower on slack export business.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
March	56.90	—	—	57.60
April	57.20	—	—	57.80
May	57.40	58.10	57.25	58.10
July	57.80	58.35	57.70	58.45
Sept	58.20	—	—	58.80
Jan	58.10	—	—	59.70
Dec	58.90	—	—	59.50
March	59.55	—	—	60.10
May	60.00	—	—	60.55
July	60.45	—	—	61.00

COCOA 100 tonnes, $/tonnes

	Latest	High	Low	Prev
March	2039	2039	1997	1991
May	2070	2073	2035	2031
July	2104	2123	2072	2069
Sept	2130	2145	2104	2098
Dec	2165	2175	2136	2133
March	2179	2195	2179	2158

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	249.75	249.10	246.00	250.63
May	251.67	251.75	247.75	252.88
July	255.90	255.90	253.11	257.11
Sept	259.47	259.90	258.25	260.25
Dec	261.28	261.90	257.63	261.63
March	261.00	261.00	261.00	261.75
May	262.50	262.50	262.50	262.75
July	262.50	—	—	261.50

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	65.25	65.40	65.20	65.25
April	65.50	—	—	65.50
May	65.95	66.20	65.70	65.95
July	66.45	66.70	66.25	66.50
Sept	66.70	66.85	66.55	66.75
Dec	67.10	67.30	67.00	67.15
Jan	67.25	—	—	67.30
March	67.50	67.65	67.65	67.55
May	67.80	—	—	67.90
July	68.15	—	—	68.25

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
May	63.30	63.60	63.15	63.63
July	64.07	64.40	63.80	64.48
Oct	43.85	43.90	43.65	43.80
Dec	43.83	43.95	43.60	43.85
March	44.50	44.69	44.50	44.75
May	45.27	45.60	45.50	45.63
July	45.72	46.00	46.00	46.05

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
April	12.75	14.15	12.75	14.01
May	13.34	14.50	13.34	14.34
June	13.54	14.61	13.54	14.54
July	13.64	14.75	13.64	14.64
August	13.80	14.75	14.00	14.80
Sept	14.00	14.95	14.25	14.95
Oct	14.10	15.00	14.10	15.10
Nov	14.50	15.30	14.75	15.25
Dec	14.50	15.40	14.75	15.40
Jan	14.90	15.30	14.90	15.52

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
March	348.2	—	—	351.8
April	349.2	351.5	348.4	353.0
May	351.0	—	—	352.6
June	353.0	356.2	352.1	356.8
Aug	356.7	359.5	356.3	360.5
Oct	360.3	362.9	360.0	364.1
Dec	364.2	367.0	363.5	368.0
Feb	368.2	369.0	369.0	372.0
April	371.8	374.0	371.5	375.6
June	375.7	377.2	377.0	379.5
Aug	379.8	382.0	382.0	383.6
Oct	384.1	385.5	385.5	387.9
Dec	388.6	—	—	392.4

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
April	46.35	50.70	48.20	50.21
May	41.62	45.60	41.62	44.62
June	39.54	43.50	39.54	42.54
July	39.26	43.00	39.26	42.26
August	39.50	43.30	39.50	42.40
Sept	40.10	43.80	40.10	43.00
Oct	42.00	44.20	42.50	43.90
Nov	45.06	45.20	45.06	44.60
Dec	42.55	46.20	42.55	45.30

ORANGE JUICE 15,000 lb. cents/lb

	Close	High	Low	Prev
March	85.85	92.00	86.85	89.90
May	88.30	90.50	88.00	90.95
July	88.25	90.20	88.20	90.90
Sept	86.55	88.00	87.00	88.50
Nov	87.25	88.60	87.25	88.90
Jan	87.80	89.10	88.00	89.15
March	88.10	89.25	88.25	89.50
May	88.60	89.00	88.80	89.80
July	88.90	—	—	90.10

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
April	410.2	413.5	409.5	415.0
July	413.4	417.0	413.0	418.4
Oct	415.8	419.5	416.0	420.4
Jan	418.1	420.0	418.0	422.6
April	420.6	423.5	420.0	424.8

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	569.3	577.5	568.0	582.0
April	571.3	—	—	584.3
May	575.0	586.5	574.0	588.0
July	582.3	593.5	580.5	595.3
Sept	589.7	600.0	588.0	602.7
Dec	600.5	611.0	600.0	613.5
Jan	604.4	—	—	617.4
March	611.8	622.0	616.0	624.8
May	619.4	632.0	626.5	632.4
July	627.1	636.0	636.5	640.1

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	7.09	7.13	6.98	7.09
July	7.40	7.41	7.28	7.36
Sept	7.52	7.55	7.47	7.47
Oct	7.61	7.62	7.47	7.58
Jan	7.85	7.82	7.82	7.80
March	8.12	8.12	7.95	8.00
May	8.24	8.27	8.10	8.17
July	8.39	8.39	8.27	8.34

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
April	58.52	58.87	58.30	58.47
June	59.30	59.75	59.07	59.07
August	57.37	57.67	57.20	57.32
Oct	56.37	56.60	56.25	56.37
Dec	57.92	58.10	57.85	57.90
Feb	58.15	58.30	58.00	57.95
April	58.50	58.50	—	58.30

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
April	40.97	41.40	40.82	41.02
June	45.25	45.45	44.90	44.90
July	45.37	45.72	45.10	45.12
August	43.67	44.07	43.50	43.45
Oct	40.32	40.50	40.05	40.12
Dec	41.80	41.90	41.50	41.40
Feb	42.10	42.15	41.60	41.80
April	38.90	39.12	38.90	38.70
June	41.05	41.05	40.00	40.75

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
March	233.2	233.2	231.0	231.2
May	231.4	231.4	228.6	229.4
July	230.4	230.4	226.6	227.6
Sept	214.6	215.0	211.2	212.0
Dec	211.6	212.0	207.6	209.0
March	221.4	221.4	217.6	218.4
May	225.2	225.4	222.0	222.4

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
March	57.45	57.90	57.30	57.70
May	58.77	59.40	58.55	59.17
July	59.80	60.20	59.52	59.92
August	58.37	59.10	58.25	58.50
Feb	60.80	61.05	60.25	60.65

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
March	537.6	539.2	536.2	537.4
May	537.2	541.0	536.0	539.4
July	540.4	545.0	540.0	543.6
Aug	539.4	544.0	539.4	542.0
Sept	526.0	531.0	526.0	530.0
Nov	521.6	526.2	521.2	526.2
Jan	532.0	535.6	532.0	536.4
March	542.0	545.4	542.0	546.4
May	550.4	553.0	550.4	554.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	158.8	159.7	158.1	159.7
May	159.7	160.8	159.0	160.8
July	160.1	161.5	159.8	161.6
Aug	160.2	161.5	159.7	161.6
Sept	155.9	156.8	155.5	156.5
Oct	152.8	153.5	152.4	154.0
Dec	153.5	154.5	153.0	154.7
Jan	155.0	155.6	154.5	156.5
March	156.0	156.5	156.0	157.0

SOYABEAN OIL 6,000 lbs, cents/lb

	Close	High	Low	Prev
March	17.67	18.00	17.55	17.73
May	17.86	18.29	17.80	17.94
July	18.17	18.60	18.15	18.28
Aug	18.33	18.75	18.32	18.45
Sept	18.42	18.80	18.40	18.45
Oct	18.50	18.90	18.50	18.52
Dec	18.90	18.32	18.85	18.97
Jan	18.97	19.40	18.95	19.12
March	19.35	19.75	19.35	19.45
May	19.60	—	—	19.50

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
March	347.6	348.0	342.4	348.0
May	296.2	296.4	291.0	296.5
July	256.4	256.4	253.4	255.6
Sept	258.6	258.6	256.0	257.6
Dec	268.6	269.6	267.2	268.4
March	275.0	275.0	272.4	273.4

SPOT PRICES—Chicago loose lard 12.50 (same) cents per pound. Handy and Harman silver bullion 575.0 (569.0) cents per troy ounce.

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Opec meeting unsettles pound

Sterling lost ground in currency markets yesterday. Although finishing above its worst, it failed to recover fully from early selling. This weekend's meeting of Opec ministers had sufficient influence to unsettle the market although some dealers were sceptical as to whether the outcome of the meeting would be bearish for the pound at all. Oil prices yesterday continued to show a firmer trend with North Sea crude quoted around $2 a barrel above recent lows.

In addition confidence was underpinned by the high level of interest rates in London and recently bouyant equity and gilt markets. The prospect of a cut in UK clearing bank base rates did not appear to have a damping influence, having already been discounted in the current level of interbank rates in London. The pound's exchange rate index closed at 74.6 up from 74.3 at noon but down from an opening level of 74.8 and Wednesday's close of 75.2. Against the dollar it fell to $1.4595 from $1.4675 and was weaker against the D-mark at DM 3.3500 compared with DM 3.3525. Elsewhere it slipped to Y262.50 from Y264.50 and SFr 2.82 from SFr 2.8375. Against the French franc it closed at FFr 10.3050 down from FFr 10.3125.

The dollar broke through the DM2.30 level against the D-mark but failed to sustain this level in the absence of any follow-through buying. The market appeared to lack direction and although firmer against the D-mark, the dollar lost ground to most other currencies. A 0.1 per cent fall in US retail sales was ignored since it came within market expectations and was already known for its erratic movements. The dollar touched a high of DM 2.3030 against the D-mark before closing at DM 2.2955 up from DM 2.2840. It was weaker against the yen, however, at Y179.90 compared with Y180.25 and SFr 1.9320 from SFr 1.9340. Against the French franc it rose to FFr 7.06 from FFr 7.0275. On Bank of England figures, the dollar's exchange rate index rose to 118.6 from 118.2.

D-MARK — Trading range against the dollar in 1985-86 is 3.4510 to 2.1990. February average 2.3310. Exchange rate index 133.7 against 124.7 six months ago.

The D-mark moved erratically against the dollar in a market lacking any direction. The dollar closed at DM 2.2925 unchanged from the opening but well up from Wednesday's close of DM 2.2745. A 0.1 per cent fall in US retail sales did little to influence the market. Earlier in the day the dollar had been fixed at DM 2.2815 from DM 2.2667 on Wednesday and there was no intervention by the Bundesbank.

JAPANESE YEN — Trading range against the dollar in 1985-1986 is 263.15 to 178.95. February average 184.545. Exchange rate index 192.8 against 156.7 six months ago.

Trading was extremely quiet and uneventful in Tokyo yesterday. The dollar showed little change against the yen but improved in terms of the D-mark so that the D-mark/yen rate fell quite sharply to Y78.76 from Y79.53. The dollar finished at Y180.30 compared with 180.25 in New York and Y180.10 in Tokyo on Wednesday.

£ IN NEW YORK

Close	Mar. 13	Prev. close
£ Spot	$1.4618-1.4620	$1.4650-1.4660
1 month	0.65-0.60pm	0.60-0.59pm
3 months	1.54-1.49pm	1.56-1.51pm
12 months	4.56-4.40pm	4.65-4.55pm

Forward premiums and discounts apply to the US dollar.

POUND SPOT—FORWARD AGAINST POUND

March 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4520-1.4675	1.4595-1.4600	0.62-0.58c pm	4.97	1.53-1.50pm	4.15
Canada	2.0302-2.0439	2.0359-2.0403	0.11c pm-0.01dis	−0.29	0.48-0.28pm	0.75
Nethlnd.	3.74¾-3.79¼	3.77½-3.78½	2¼-2c pm	6.75	5⅞-5½pm	6.02
Belgium	67.83-68.77	68.40-68.50	par-11c dis	−0.96	12pm-2dis	−0.29
Denmark	12.25¾-12.40½	12.38-12.39	5½-4½ore pm	4.78	13½-12¼pm	4.16
Ireland	1.0995-1.1105	1.1055-1.1065	0.20-0.35p dis	−2.98	0.65-0.95dis	−2.89
W. Ger.	3.31½-3.36	3.34½-3.35½	2¼-2pf pm	7.61	6¼-6pm	7.31
Portugal	217¼-220	219-220	155-455c dis	−16.67	415-1230dis	−14.99
Spain	209.04-211.10	210.80-211.10	par-40c dis	−1.14	45-160dis	−1.94
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Mar. 13	Bank of England Index	Morgan Guaranty Change %
Sterling	74.6	−16.8
U.S. dollar	118.6	+9.5
Canadian dollar	78.9	−12.4
Austrian schilling	125.4	+7.1
Belgian franc	94.0	−8.4
Danish Kroner	84.9	−1.9
Deutsche mark	133.7	+13.6
Swiss franc	154.1	+13.8
Guilder	123.2	+8.4
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	192.8	[illegible]

FINANCIAL FUTURES

Two new options

Trading began in options on long gilt futures, and US Treasury bond futures, on the London International Financial Futures Exchange yesterday, with the gilt option getting off to a particularly encouraging start.

Early trading was volatile in long gilt futures, with prices falling initially, and then recovering, to cover the whole day's range shortly after opening. The weaker pound, falling US bond prices and nervousness ahead of this weekend's meeting of Opec ministers, were depressing factors, but the June contract finished above the day's low.

Three-month sterling deposit futures opened weaker, but recovered to close at the day's high, as traders remained optimistic that UK clearing bank base rates will be cut next week.

US Treasury bond futures also opened weaker, prompted by Japanese selling, but showed some strength ahead of the US retail sales figures for February. These proved disappointing however, falling by 0.1 per cent, less than the expected range of 0.2 per cent to 0.8 per cent. In spite of a downward revision in the January figure, bond futures were again sold, to finish lower on the day.

Three-month Eurodollar futures weakened, on the retail sales announcement, but finished only slightly lower overall and around the middle of the day's range, supported by hopes of another cut in the US discount rate.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
116	4.60	6.33	—	—	1.12	2.23	—	—
118	3.41	5.20	—	—	1.57	3.10	—	—
120	2.37	4.17	—	—	2.53	4.07	—	—
122	1.48	3.23	—	—	3.64	5.13	—	—
124	1.08	2.39	—	—	5.24	6.29	—	—

Estimated volume total, Calls 1,788, Puts 101
Previous day's open int. Calls 0, Puts 0

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last June	Sept	Dec	Mar	Puts—Last June	Sept	Dec	Mar
92	4.43	5.40	—	—	0.63	2.38	—	—
94	3.22	4.33	—	—	1.42	3.31	—	—
96	2.18	3.35	—	—	2.38	4.33	—	—
98	1.30	2.48	—	—	3.50	5.46	—	—
100	0.58	2.05	—	—	5.74	7.03	—	—

Estimated volume total, Calls 128, Puts 56
Previous day's open int. Calls 0, Puts 0

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Previous day's open int. Calls 3,520, Puts 4,036
Volume, 20

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
March	118-28	119-11	118-28	119-08
June	119-24	120-10	119-19	120-10
Sept	120-05	120-24	120-05	120-23

Estimated volume 8,035 (8,686)
Previous day's open int 6,921 (7,204)
Basis quote (clean cash price of 13% Treasury 2004-08 less equivalent price of near futures contract) −4 to 4 (32nds)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
March	99-00	99-00	99-00	99-20
June	99-18	99-38	99-16	99-32

Estimated volume 742 (355)
Previous day's open int 1,005 (1,083)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
March	88.35	88.35	88.31	88.35
June	89.35	89.35	89.26	89.33
Sept	89.75	89.75	89.69	89.75
Dec	90.00	90.01	89.92	90.03
March	90.08	90.08	90.00	90.13

Estimated volume 2,346 (3,580)
Previous day's open int 12,005 (11,773)

US TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	96-06	96-31	96-02	97-03
June	95-22	96-23	95-06	96-19
Sept	95-01	95-25	95-01	9E-30

Estimated volume 8,640 (9,112)
Previous day's open int 5,527 (5,358)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
March	161.20	162.30	160.60	162.50
June	163.10	164.10	162.75	164.40
Sept	165.10	165.10	165.10	166.40

Estimated volume 625 (660)
Previous day's open int 1,667 (1,668)

THREE-MONTH EURODOLAR
$1m points of 100%

	Close	High	Low	Prev
March	92.53	92.57	92.52	92.57
June	92.71	92.76	92.68	92.75
Sept	92.66	92.71	92.63	92.71
Dec	92.52	92.58	92.47	92.58
March	92.33	92.39	92.31	92.39
June	92.15	92.15	92.15	92.21
Sept	91.98	91.98	91.98	[illegible]
Dec	91.81	91.81	91.81	91.87

Estimated volume 3,480 (3,908)
Previous day's open int 19,676 (18,795)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth
1.4595	1.4535	1.4444	1.4328	1.4145

IMM—STERLING $s per £

	Latest	High	Low	Prev
March	1.4585	1.4610	1.4545	1.4660
June	1.4430	1.4465	1.4385	1.4510
Sept	1.4300	1.4350	1.4300	1.4400
Dec	—	—	—	1.4290

LIFFE—STERLING
£25,000 $s per £

	Close	High	Low	Prev
March	1.4566	1.4585	1.4535	1.4715
June	1.4417	1.4460	1.4397	1.4570
Sept	1.4305	1.4305	1.4305	1.4460

Estimated volume 17 (1,765)
Previous day's open int 3,336 (2,815)

Contracts and Tenders

BRAZIL
ELECTROBAS THIRD POWER DISTRIBUTION PROJECT

GENERAL PROCUREMENT NOTICE
LOAN NUMBER 2565-BR

Eletropaulo-ELETRICIDADE DE SAO PAULO S/A — is a beneficiary under a loan obtained from the World Bank, through Centrais Elétricas Brasileiras S/A — ELETROBRAS, to cover part of the electrical distribution expansion programme planned for 1986/1989.

During the next 12 months ELETROPAULO will issue invitations for international bidding for the supply of equipment and material grouped as follows (with estimated value).

ITEM	DESCRIPTION	ESTIMATED VALUE (US$ MILLION)
1	Aluminium Conductors ACSR, ASC	8.2
2	Multiplex and Insulated Aluminium Conductors	1.0
3	Oilfilled Underground Cable 345kV and Accessories	18.3
4	Power Circuit Breakers	0.4
5	Power Transformers	8.6
6	Metalclad Switchgear 15kV	1.5
7	Static Capacitors	1.6
8	Steel Structures for Transmission Towers and Substations	6.7
9	Sectionalisers 138kV	2.0
10	Underground Network Protectors	3.6
11	Meters (single and polyphase)	3.4
12	Lighting Arresters 12kV and 20kV	1.6
13	Disconnecting Switches (Fuse and Knife Type)	1.4
14	Distribution Transformers	8.4
15	Overhead and Underground Power Cables 15kV	4.5
16	Miscellaneous Equipment	1.0
		70.2

Suppliers and manufacturers from member countries of IBRD, Switzerland and Taiwan (China) who wish to be included in a mailing list to receive invitations to bid on the above mentioned items are requested to state in writing the items in which they are interested, addressing their communications to:

Eletropaulo-ELETRICIDADE DE SAO PAULO S/A
IBRD Loan Number 2565-BR
Attn: Superintendency Foreign Supply
Av. Brigadeiro Luiz Antonio, 1813 — 9° andar
01317, São Paulo, Brazil

Company Notices

Art Galleries

EURO-CURRENCY INTEREST RATES

Mar. 13	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
B.Fr.(Con)	9¼-9¾	12-14	11½-13	10⅝-11⅛	9½-10	8½-9
Yen	5⅛-5⅛	5⅛-5⅛	6-6⅛	5⅛-5⅝	5⅛-5⅜	5¼-5⅞
D. Krone	8¼-8¾	8⅝-8⅞	8⅝-8⅞	9-8½	7¾-8¼	7⅝-8⅛
Asian $ (Sng)	7⅝-7⅞	7½-7⅝	7⅜-7½	7⅛-7⅛	7⅛-7⅛	7⅝-7½

Long-term Eurodollars: two years 7¾-7⅞ per cent; three years 7¾-8 per cent; four years 8-8¼ per cent; five years 8⅛-8⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 13	% change from central rate	% change adjusted for divergence	Divergence limit %
German D-mark	2.23840	2.16177	−3.42	−1.02	±1.1455
French Franc	6.86402	6.64998	−3.12	−0.72	±1.3654
Dutch Guilder	2.52208	2.44022	−3.25	−0.85	±1.5162
Irish Punt	0.724578	0.715136	−1.30	+1.10	±1.6673
Italian Lira	1520.60	1471.07	−3.26	−1.89	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Bank continues to resist lower rates

Interest rates showed little movement on the London money market yesterday, with three-month interbank unchanged at 11⅝-11⅝ per cent. The Bank of England, in its help to the market, again indicated reluctance to endorse an early cut in bank base rates, by providing repurchase agreements, until Monday — the day before the Budget — at rates of up to 12⅝ per cent. Discount houses were equally reluctant to sell bills outright on expectations of lower base rates.

The Bank of England forecast a money market shortage of £900m initially, and changed this to £1,050m at noon, but provided total help of only £891m.

An early round of help was offered, and at that time the authorities bought £420m bills, for resale to the market next Monday, at 12½-12⅝ per cent. Before lunch another £154m bills were purchased, for resale to the market on Monday, at 12½-12⅝ per cent.

In the afternoon £57m bills were bought outright, by way of £34m bank bills in band 1 at 12⅜ per cent; £21m bank bills in band 2 at 12$\frac{5}{16}$ per cent; and £2m bank bills in band 4 at 12$\frac{3}{16}$ per cent.

Late assistance of around £260m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £695m, with the unwinding of repurchase agreements absorbing £434m, a rise in the note circulation £35m, and bank balances below target another £115m. These outweighed Exchequer transactions adding £385m to liquidity.

In Paris call money fell to 8½ per cent from 8⅝ per cent, in line with the Bank of France money market intervention rate. The French Treasury announced a tender for FFr 9bn of negotiable Treasury bills, next Tuesday. The tender will be for FFr 3bn each of 13, 26 and 52 week fixed rate bills, under the new calendar of weekly auctions open to the public.

In Stockholm the Swedish central bank cut its discount rate to 8.5 per cent from 9.5 per cent, and lowered the rate on priority government bonds to 10 per cent from 11 per cent, but left unchanged the tranche system, introduced last November, to influence domestic market rates. The discount rate was last cut from 10.5 per cent on January 16. Yesterday's move followed a recent downward trend in Swedish interest rates, and discount rate cuts by the US, West Germany and Japan.

UK clearing banks base lending rate 12½ per cent since January 9

NEW YORK RATES

(Lunchtime)

Prime rate	9
Broker loan rate	8¼-8½
Fed funds	7$\frac{11}{16}$
Fed funds at intervention	—
Treasury Bills & Bonds	
One-month	6.33
Two-month	6.67
Three-month	6.83
Six-month	6.97
One-year	7.07
Two-year	7.28
Three-year	7.37
Four-year	7.45
Five-year	7.53
Seven-year	7.72
10-year	7.85
30-year	8.04

FT LONDON INTERBANK FIXING

(11.00 a.m. March 13)

Three months U.S. dollars	
bid 7⅜	offer 7½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

LONDON MONEY RATES

Mar. 13	Over night	7 days notice	Month
Interbank	13¼-20	13⅛-13½	12¼-12[illegible]
Sterling CDs	—	—	12¼-12[illegible]
LocalAuthorityDepos	13¼-13⅜	12¾-13$\frac{1}{16}$	12$\frac{5}{16}$
Local Author'y Bonds	—	—	12½
Discount Mkt Depos	12¾-13	12-12¾	12
Company Depos	13⅛-13¾	13⅝-13⅝	12⅛
Finance House Depos	—	—	12⅝
Treasury Bills (Buy)	—	—	12⅛
Bank Bills (Buy)	—	—	12$\frac{1}{16}$
Fine Trade Bills (Buy)	—	—	12$\frac{7}{16}$
Dollar CDs	—	—	7.30-7.3[illegible]
SDR Linked Depos	—	—	8¼ 8⅛
ECU Depos	—	—	10⅛ 10¼

Treasury Bills (sell): one-month 12 per cent; three-months 11⅞ per cent. Bank Bills (sell): one-month 12 per cent; three-months 11⅞ per cent. Treasury Bills: Average tender rate at discount 11.5336 per cent. ECGD Fixed Finance Scheme IV reference date February 5 to March 4 (inclusive): 12.654 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rates 13 per cent from March 1 1986. Bank Deposit Rate for sums at seven days' notice 6-6¾ per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 12½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11 per cent; nine-12 months 11 per cent. Under £100,000 11 per cent from March 12. Deposits held under Series 5 11 per cent. Deposits withdrawn for cash 7 per cent.

MONEY RATES

March 13	Ov'r-nig't	One Month	Two Months	Three Months	Six Months	Lomtior In'v'nbad
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 12, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of March 12 at 11.00 a.m.
3 months: 7⅞ 6 months: 7⅞

ECU=$US.954437 SDR=$US1.14284
Sibor as of March 12 at 11.00 a.m.
3 months: 7⅞ 6 months: 7⅞

COUNTRY	CURRENCY	VALUE OF DOLLAR
Eq'l Guinea	C.F.A. Franc	348.90
Ethiopia	Birr (o)	2.0785
Faeroe Is.	Dan. Krone	8.371
Falkland Is.	Pound*	1.477
Fiji	Dollar	1.0899
Finland	Markka	5.114
France	Franc	6.978
Fr. C'ty in Af	C.F.A. Franc	348.90
Fr. Guiana	Franc	6.978
Fr. Pac. Is	C.F.P. Franc	126.873
Gabon	C.F.A. Franc	348.90
Gambia	Dalasi (15)	6.93
Germany (E)	Ostmark (o)	2.266
Germany (W)	Mark	2.266
Ghana	Cedi (14)	90.00
Gibraltar	Pound*	1.477
Greece	Drachma	140.70
Greenland	Dan. Krone	8.371
Mozambique	Metica	40.62
Namibia	S. A. Rand	2.7701
Nauru Is	Aust. Dollar	1.4217
Nepal	Rupee	20.50
Netherlands	Guilder	2.558
Neth Ant'les	Guilder	1.80
New Zealand	Dollar	1.8893
Nicaragua	Cordoba (5)	70.00
Nicaragua	Cordoba (d)	975.00
Niger Rp	C.F.A. Franc	348.90
Nigeria	Naira	0.9996
Norway	Krone	7.154
Oman Sultanate of	Rial (2)	0.385
Pakistan	Rupee	15.9878
Panama	Balboa	1.00
Papua N.G.	Kina	0.9699
Uruguay	Peso (m)	153.90
USSR	Rouble (7)	0.72
Vanuatu	Vatu	96.2518
Vatican	Lira	1541.00
Venezuela	Bolivar (g)	7.50
Venezuela	Bolivar (g) (1)	4.30
Venezuela	Bolivar (o)	18.68
Vietnam	Dong (7)	12.469
Virgin Is. British	U.S. $	1.00
Virgin Is. U.S.	U.S. $	1.00
Yemen	Rial	8.52
Yemen PDR	Dinar	0.343
Yugoslavia	Dinar	328.90
Zaire Republic	Zaire	55.16
Zambia	Kwacha	6.7981
Zimbabwe	Dollar	1.6716

n.a. Not available. (m) Market rate. * US dollars per National currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non-essential imports. (i) Floating tourist rate. (j) Public Transaction rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Oman, January 26, 1986: Rial devalued by approximately 10.2 per cent. (3) Poland, February 2, 1986: Zloty devalued by approximately 13.5 per cent. (4) Ecuador, January 29, 1986: Sucre devalued by approximately 13 per cent. (5) Nicaragua, March 1, 1986: Devaluation. (6) Peru, January 1, 1986: New currency introduced—1 Inti=1,000 Soles. (7) USSR, February 21, 1986: Official rate cut by Soviet State Bank. (8) Sudan, March 11, 1986: Pound readjusted. (9) Guinea Republic, January 3, 1986: Franc, new exchange rate announced. (10) Brazil, March 1, 1986: New currency introduced—1 Cruzado=1,000 Cruzeiros. (11) Aruba Florin: New currency introduced, January 1, 1986. (12) Israel, January 8, 1986: Shekel devalued—1 New Shekel=1,000 Old Shekels. (13) Brazil: February, 1986: Minidevaluation of Cruzeiro by approximately 10.13 per cent. (14) Ghana, January 13, 1986: Cedi devalued by one-third. (15) Gambia, January 20, 1986: Dalasi freely floating. For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont.

1985/86 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
72	40	Conder Group	68	....	1.5	1.8	3.2	23.1
66	25	Copson (F.) 5p	64	−1	1.5	1.1	3.4	37.0
544	334	Costain Group	544	+2	†15.0	2.9	3.9	10.2
365	182	Countryside Props	365	+1	5.74	5.1	2.2	9.2
156	84	Crouch (D.) 20p	146xd	....	5.93	φ	5.8	φ
114	62	Dew (George) 25p	94	....	6.0	1.2	9.1	13.3
95	47	Douglas (Robt. M.)	84	−1	t3.75	2.6	3.0	(14.9)
25	16½	♦Dunton Group 5p	22½	−½	0.24	4.3	1.5	17.4
175	75	♦EBC 50p	155	....	†5.6	1.1	5.2	23.6
76	57	Erith	76	+6	3.1	1.6	5.8	15.4
122	100	Fairbriar 10p	121	−1	R4.0	2.7	4.7	11.2
112	85	Feb. Intl. 10p	85	....	†d2.9	0.7	7.0	(46.1)
92	56	Do. 'A' 10p	66	....	†d2.9	0.7	9.0	(35.8)
86	41	♦Federated Housing 5p	86	+4	3.3	φ	5.6	φ
95	60	Finlan Group 10p	64	....	g3.04	0.9	8.5	24.9
85	64	Galliford 5p	82xd	....	4.4	1.5	7.7	12.8
35	22	Gibbs Dandy A 10p	34	−1	1.58	2.0	6.6	10.0
318	204	Gleeson (M.J.) 10p	318	+3	5.37	5.4	2.4	11.0
119	89	HAT Group 10p	101	−5	†3.7	2.3	5.2	10.1
148	24	Helical Bar	146	+6	—	—	—	—
308	212	Henderson Group	243	....	†6.0	2.6	3.5	13.7
55	33	Hewden-Stuart 10p	55	+2	†1.53	3.1	4.0	10.4
£153	£112	Do. 10pcLn. 03-08	£152	+2	Q10%	—	f6.6	—
214	112	Heywood Williams	205xd	−7	G6.75	φ	5.0	φ
527	280	Higgs & Hill	527	....	†12.3	3.4	3.3	11.4
52	29	Howard Shut. 10p	32	+1	d1.4	1.6	6.2	12.2
184	128½	Ibstock Johnsen	176	−6	†h4.0	3.1	3.2	13.6
115	60	♦Intal Amco Cpn	70	+5	—	—	—	—
330	260	Jarvis (J.)	280	−10	‡17.5	—	‡	—
35	21	♦Jaypiant	25	....	0.25	3.9	1.4	19.3
130	82	♦Jennings A$.50	100	+3	Q20%	2.1	4.8	9.9
95	70	♦Johnstones Pts. 10p	87xd	....	4.27	φ	7.0	φ
£99	£32	Lafarge Cop. F100	£99	+3	kQ23.25%	1.5	2.3	29.1
368	197	Laing (John)	368	+1	†6.0	5.5	2.3	11.1
305	255	Latham (J.) £1	280	+10	13.25	1.8	6.8	9.8
97	64	Lawrence (W.)	96	+1	N3.65	3.1	5.4	7.1
79	59	Lilley (F.J.C.)	79	....	†3.64	1.7	6.6	10.7
125	93	♦Lon. & Clydeside	122	−3	5.6	2.0	6.6	10.8
374	191	Lovell (Y. J.)	374	+2	7.0	3.8	2.7	13.2
406	232	McAlpine (Alfred)	406xd	+2	d12.5	2.8	4.4	11.6
315	195	McCarthy & Stone 20p	295	−5	2.72	5.0	1.3	21.7
143	90	♦McLaughlin & H.	125	....	7.0	2.9	8.0	5.9
160	104	Magnet & Southerns	154	−4	4.7	1.7	4.4	19.4
212	161	Manders (Hldg)	212	....	†7.5	2.3	5.1	11.4
190	110	Marshalls Halifax	190	+3	§5.0	2.3	3.8	14.8
171	107	Maunders (John) 20p	170	....	4.5	3.8	3.8	10.0
122	73	May & Hassell	120	−2	3.75	—	4.5	—
243	112	Meyer Int.	242	−1	†5.25	3.5	3.1	13.0
28	14	Miller (Stan) 10p	25	....	Z0.5	—	2.9	—
133	101½	Monk (A)	125	....	6.5	1.3	7.4	14.6
420	198	Mowlem (J)	420	+10	11.93	2.1	4.1	14.8
900	600	Newarthill £1	900	....	11.0	5.4	1.7	13.5
200	142	Nottingham Brick	197	....	6.5	2.1	4.7	14.7
825	600	Pearce (C. H.)	675	....	♦7.75	7.0	1.6	12.2
170	95	Persimmon 10p	168	−2	5.25	φ	4.6	φ
146	86	Phoenix Timber	105	+3	3.0	—	4.1	—
410	180	Pochins	380	....	12.9	3.9	4.8	6.8
283	99	♦Polypipe 10p	283	....	b2.9	2.7	1.5	35.4
558	344	RMC	554	−4	†13.0	3.3	3.4	13.4
53	16	Raine Inds. 10p	43½	−2½	♦0.75	0.5	2.5	—
110	60	♦Rames	102	....	d5.25	1.0	7.4	18.7
424	254	Redland	421	−2	†10.5	2.2	3.6	14.9
£312	£152	Redland (£ Wrnts.)	£312	....	—	—	—	—
177	93	Roberts Adlard	168	....	6.0	2.0	5.1	13.8
46	32	Rowlinson 10p	40	....	0.65	6.4	2.3	7.3
240	147	Ruberoid	218	....	7.8	1.5	5.1	18.4
165	118	Rugby P. Cement	158	−3	6.2	1.3	5.6	(17.8)
297	134	SGB Group	295	−2	7.5	2.4	3.6	16.1
97	63	Sharpe & Fisher	88	....	2.25	2.9	3.7	11.5
22	12	Sheffield Brick	19	+1	—	—	—	—
540	300	Sindall (Wm)	540	....	10.0	5.5	2.6	7.2
79	53	Smart (J.) 10p	78	+1	d4.35	1.3	8.0	14.3
432	226	Tarmac 50p	424	−8	†h8.0	2.8	2.7	17.7
74	40	♦Tay Homes	72	−2	d4.5	1.5	8.9	10.9
563	347	Taylor Woodrow	553	−8	q15.0	2.2	3.9	15.0
160	106	Tilbury Group	143	−3	†4.8	2.1	4.8	13.9
372	225	Travis & Arnold	372	+2	7.92	3.4	3.0	13.8
107	74	Trent Holdings 10p	78	−3	†1.05	6.0	1.9	9.3
345	135	Turriff Corp.	346	+1	7.0	—	6.8	—
50	26	Tysons (Contr.) 10p	39	....	2.5	—	9.2	—
83	38	♦Utd Ceramic Dsk 20p	58	....	3.5	1.5	8.6	9.8
258	137	Vibroplant	258	+1	†d9.0	3.1	5.0	9.3
286	126	Ward Hldgs. 10p	270	−3	7.25	2.6	3.8	14.4
92	58	Warrington (Thos.)	66	....	‡4.0	—	‡	—
230	172	Watts Blake	202	+2	†h4.08	3.1	2.9	16.0
83	63	Wettern Bros	83	....	1.0	3.7	1.7	16.6
55	27	Wiggins Group 10p	55	....	—	—	—	—
378	172	Wilson(Connolly)	376	+2	†d3.0	7.1	1.1	17.8
177	98	Wimpey (Geo)	174	−3	3.25	2.9	2.7	14.4

CHEMICALS, PLASTICS

1985/86 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£45⅞	£24	Akzo FL20	£45¼	....	vQ33%	φ	3.6	φ
420	161	♦Alida Hldgs.	420	....	9.5	3.1	2.2	20.7
256	122	Allied Colloids 10p	185	−5	2.3	3.8	1.8	19.7
388	276	Amersham Intl	381	−7	†6.0	2.9	2.2	17.5
•256½	160	Anchor Chemical	230	−3	4.25	2.5	2.6	16.9
£100	£49⅛	BASF AG DM 50	£96¼	−⅛	gvQ18%	2.6	2.8	13.7
130	73	BTP 10p	129	+1	M4.0	1.9	4.4	18.4
£104¼	£50⅞	Bayer AG DM 50	£103	−1½	v14%	φ	2.0	φ
129	98	Blagden Inds	108xd	....	7.2	φ	9.5	φ
142	105	Brent Chems. 10p	142	+1	†3.5	1.8	3.5	19.0
86	11	Brit. Benzol 10p	82½	−1½	—	—	—	—
116	79	Canning (W.)	116	+4	†3.5	2.1	4.3	13.0
281	225	Coalite Group	281	....	†6.43	3.5	3.3	12.6

هكذا منه للأصل

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

PROPERTY

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

1985-86 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
290	150	Ayer Hitam $M1	150xd	.....	v0155d	1.5	‡
250	46	Geevor	57	.....	‡12.0	1.9	‡
175	50	Gopeng Berhad M$0.50	50xd	.....	g50.1d	ф	11.1
650	650	Hongkong	650#	..	—	—	—
27	11	Jantar 12½p	19	.....	2.5	ф	18.8
55	21	Malaysia Mng. 10c	21	.....	‡v06d	2.4	‡
38	17	♥Pahang	17#	....	8—	—	—
650	150	Pengkalen 10p	200	...	—	—	—
275	110	Petaling $M1	110	..	v060d	0.2	15.1
275	95	Sungei Besi $M1	118	....	‡v043d	—	‡
285	110	Tanjong 15p	110	..	—	—	—
250	80	♥Tongkah H. Tin $M1	80	.	v023d	1.2	8.5
305	95	Tronoh $M1	115	.	‡v064d	1.1	15.4

Miscellaneous

1985-86 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
55	30	Anglo-Dominion	30	.....	—	—	—
42	32	Anglo Utd Dev	33	+1	d1.05	ф	4.5
120	48	♥Colby Res Corp.	50	.....	—	—	—
550	175	Cons. Murch. 10c	225	.....	‡s08½d	3.9	‡
40	24	♣Ennex Int. Ir10p	31	+2	—	—	—
123	70	Greenwich Res.	100	−1	—	—	—
215	115	Hampton Areas 10p	120	+3	3.75	0.9	4.2
260	135	♥Highwood Res.	230	.....	—	—	—
£22½	£15⅛	Homestake Mining $1	£17⅜	+¼	020c	—	0.8
310	155	♥McFinley Red Lake	185	.....	—	—	—
335	195	♥Muslo Explorations	265	.	—	—	—
55	23	♥New Sabina Res C$1	42	.....	—	—	—
375	195	Northgate C$1	225	+3	—	—	—
685	507	RTZ	627	+14	‡20.0	2.8	4.6
£145½	£113½	Do. 9½pcLn '95-2000	£134	+1½	Q9½%	14.0	17.2
980	800	♥Tara Exptn $1	925	.....	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ▲ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend, cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ß No par value

B Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	104	.....
Craig & Rose £1	£14	.....
Finlay Pkg. 5p	48	.....
Holt (Jos) 25p	745	..
IoM Stm. £1	75	.....
IRISH		
Fund 13¼% 1988	£100	+⅜
Nat 9¾% 84/89	£97⅞	+½
Fin. 13% 97/02	£118¾	.....
Arnotts	320	.....
CPI Hldgs	57	.....
Carrol Inds.	171	+1
Dublin Gas	56	..
Hall (R. & H.)	77	+7
Heiton Hldgs.	31	−2
Irish Ropes	55	...
Unidare	145xd	+13

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Feb 24	Mar 6	Mar 7	Mar 17
Mar 10	Mar 26	Mar 27	Apr 7
Apr 1	Apr 10	Apr 11	Apr 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Trade slackens but equity leaders often consolidate recent gains

A more cautious approach was deemed wise yesterday after the scorching 45-point advance in the FT Ordinary share index over the previous two sessions. Investors decided that a respite was necessary and blue chip issues surrendered ground but not before showing spirited bouts of resistance.

The tone throughout the morning was easier with dealers blaming this on the lack of a follow-through on Wall Street overnight the Dow Jones index gave up an 18-point rise in the final hour of business to close virtually unchanged on balance. Slightly disappointing third-quarter results from **British Telecom** also cast a shadow over proceedings until announcement of the **Royal Dutch/Shell** preliminary figures.

Group profits in line with most analysts' projections further encouraged the oil sector, which was tending to improve on hopes that the weekend Opec meeting could produce a formula to stabilise world oil prices. Other equity leaders followed and throughout the afternoon the FT Ordinary share index displayed a small rise, before closing a net 0.1 off at 1350.6. The broader-based FT-SE 100-share lost 7.8 to 1616.7.

The adverse effects of British Telecom on the FT 30-share index were more than offset by useful gains in several other constituents. **NatWest Bank** were particularly strong on reports of a "buy" recommendation from Rowe and Pitman; speculation of Merrill Lynch taking a similar view was later dismissed. Recent fears of a possible "windfall" tax imposition receded and NatWest spurted 42 higher to 783p with the rise helped by stock shortages. **Barclays** and **Lloyds** eventually joined in the movement.

Concern that the authorities could delay the expected cut in UK interest rates upset the market in Gilt-edged securities. Exchange rate and US long bond easiness also contributed to the tone which left longer-dated Gilts showing widespread falls ranging to 1¼ points. Profit-taking after the recent sustained rise was not especially heavy but it fell on a market experiencing little offtake and anticipating new Government funding before very long.

Clearers up again

Buoyed by NatWest's performance, Lloyds advanced 25 to 583p and Barclays jumped 15 to 498p. **Midland** touched 479p, but later reacted to finish only a penny dearer on balance at 473p. Elsewhere, **Standard Chartered** revived with a gain of 18 at 533p. Merchant banks were again well to the fore. **Kleinwort Benson**, still reflecting the recent good results, closed 10 up 800p. **Schroders** gained ½ more to £14½ and **Leopold Joseph** rose 10 to 430p. **Henry Ansbacher** hardered a couple of pence to 78p awaiting today's annual results.

Preliminary profits from **Sedgewick** which fell well short of most recent optimistic forecasts prompted a fall of 17 in the shares to 395p and also brought about sympathetic reactions in other Lloyds Brokers. **Stewart Wrightson** lost 1 at 392p and **Willis Faber** fell 8 to 437p. Composites were extremely volatile. **GRE** dropped to 815p before rallying smartly to finish at net 5 higher at 833p, while **Royals** recovered from 853p to end 2 up at 867p.

Among recently-issued equities, **Wellcome** attracted good support following details of encouraging tests of a compound which may help the treatment of AIDS and the shares touched 217p prior to closing a net 10 up at 205p.

Yesterday's USM newcomer, **Menvier-Swain**, a lighting and fire alarm products group, made a successful debut; placed at 120p, the shares opened at 134p and touched 140p before settling at 139p.

Breweries reacted to occasional profit-taking, although dealers reported a slightly firmer tone after-hours. **Allied-Lyons** drifted 7 lower to 303p as investors reflected on Elders IXL's surprise decision to dispose of its 6 per cent stake.

The Building sector's recent strong run faltered with the onset of light profit-taking. Losses, however, were generally small with **Blue Circle** just 3 cheaper at 638p and **BPB Industries** only 5 off at 443p. **RMC** slipped 4 to 554p and **Rugby Portland Cement** eased 3 to 158p. **Taylor Woodrow** gave up 8 to 553p, but **Costain** continued to attract buyers and edged up 2 further to 544p. Elsewhere, **Helical Bar** attracted revived speculative support on asset injection hopes and firmed 6 to 146p in a restricted market, while **Erith** gained the same amount to 76p. Buyers again favoured **John Mowlem**, up 10 more at 420p, but profit-taking left **Heywood Williams** 7 down at 205p and **Ibstock Johnsen** 6 lower at 176p. The absence of any news relating t the merger discussions left **Raine Industries** 2½ easier at 43½p.

Renewed American buying lifted **ICI** to £10 before the close of 996p, up 9.

Buyers returned for asset value situation **Courts Furnishers** which advanced 20 more to 230p, with the A shares another 6 to the good at 142p. Other secondary Stores paused for breath after recent heady advances, although **Superdrug**, 8 higher at 478p, were again supported in front of the preliminary figures scheduled for next Thursday. **World of Leather**, quoted in the USM, improved 13 to 201p, after 203p, following the more-than-doubled preliminary figures. **Raybeck** hardened the turn to 45p in response to the agreed management buy-out, but **Peters**, the subject of "put" option activity recently, eased 4 to 74p.

A particularly strong market of late in reply to several brokers' recommenations, **British Telecom** suffered a reversal yesterday as the reported 16 per cent rise in third-quartr profits to £484m faild to match most recent optimistic forecasts of over £455m, the close being 14 lower at 218p. **Cable and Wireless** dropped 15 to 690p, after 680p, in sympathy. Other Electricals leaders closed mixed with **GEC** 4 down at 210p, but **Plessey** recovering from an initial dull level of 216p to end 6 higher on the session at 224p. Secondary issues provided an outstanding dull feature in **Wordplex** which plummeted 33 to 55p, after 43p, on news of the board's forecast of a loss of around £3m for the year and resignation of Mr Harry Mallison as chief executive; **CASE** fell 20 to 95p in sympathy. **Lec Refregeration** lost 20 to 270p and **MK** dropped 10 to 328p, but **MicroFocus** attracted revived demand and closed 35 to the good at 195p. **Mellerware International** gained 11 to 96p following speculative buying and **AMS Industries** reflected recovery hopes with a rise of 5 at 78p. The high-flying **Amstrad** moved up 4 further to 436p as the group announced its re-entry into the video recorder market with a model priced at £299.

Quieter conditions prevailed in the Engineering market. Following comment on the preliminary figures, **GKN** encountered offerings and fell to 340p before recovering to close only a penny lower on the day at 347p. **Vickers** drifted off to finish 7 down at 423p and **Hawker** eased 6 to 563p. Elsewhere, **Noble and Lund** revived with a gain of 8 at 108p.

Rowntree Mackintosh, a firm market on Wednesday following "call" option activity, rose 7 more to 455p in response to the better-than-expected annual results and confident statement. **Northern Foods**, however, remained under selling pressure in the wake of a broker's profits downgrading and shed 12 for a two-day loss of 20 at 260p. **S. and W. Berisford** were initially unsettled by news of the company's £15m increase in provision against its tin commitment and dipped to 183p before support at the lower level left the close unchanged at 198p.

Dalgety sold

Trusthouse Forte highlighted Hotels, rising 9 to 184p, after 185p, on speculative buying amid talk of a possible US bid for the company. **Grand Metropolitan**, in contrast, slipped 7 to 376p, but **Stakis** firmed 3 to 77p, after 80p, following the agreed sale of its D and R. Haddow off-licence division to Victoria Wine, a subsidiary of Allied-Lyons, for £23.5m.

Dalgety met with nervous selling and closed 18 down at 247p following the announcement that it will have to provide for an extraordinary loss of approximately £35m as a result of its involvement in tin trading. Elsewhere in the miscellaneous industrial sector, **Granada** ended 10 off at 272p, after 258p, on news the **Rank Oragnisation** had lost its application for a judicial review of the IBA's decision to block the latter's takeover bid. Rank gave up 5 to 532p. In contrast, **Bridport Gundry** rose 9 to 184p in response to the increased interim dividend and profits, while **BBA** improved 5 to 225p following the preliminary figures. **Hawtal Whiting**, also reflecting results, advanced 20 to 450p. **Lep Group** were favoured at 315p, up 12, along with **Evered**, which rose 8 to 254p, but porfit-taking left **British Aerospace** 15 down at 566p and prompted falls of around 10 in **Christie's International**, 320p, **F. H. Tompkins**, 242p, and **Wm. Baird**, 580p. **Pacific Sales** met with presistent demand and closed 18 higher at 78p; the interim figures are due to be announced next Thursday. **Marley** were actively traded before settling a penny firmer at 122p, while **Williams** closed a few pence higher at 598p on the announcement that it had sold its stake in McKechnie. Among the leaders, **Boots** featured a gain of 12 at 266p following a heavy traded option business. **BTR** at 488p, gave up 7 of the previous day's good rise which followed the preliminary figures.

Television issues again performed well. **Tyne Tees** were particularly firm in the wake of the good results and closed 22 higher at 187p. **LWT A**, interim figures due on March 20, moved up 15 to 315p and **HTV N/V** were 14 higher at 200p.

Jaguar were extremely volatile; marked down to 435p in immediate reaction to preliminary profits slightly below market estimates, the shares subsequently attracted considerable support following encouraging notices emanating from the company's meeting with city analysts and touched 485p before settling 13 up on balance at 468p. Elsewhere, **Lucas**, 636p, and **Armstrong Equipment**, 124p, eased a few pence apiece; both are scheduled to reveal interim figures later in the current Account. **AE**, however, advanced 6 more to 178p as buyers were encouraged by news of the sizeable valve spring order from Cadillac, the luxury car arm of General Motors. Late support was forthcoming for **Supra**, 5 up at 60p, a two-day gain of 10. Distributors highlighted **Appleyard** which touched 142p before settling 16 higher on balance at 138p after announcing preliminary profits above general expectations.

Among Publishers, **William Collins** advanced 20 to 485p with the A shares 10 to the good at 323p following the increased preliminary figures. Elsewhere, revived demand in an extremely narrow market lifted **Eucalyptus Pulp Mills** 45 for a two-day gain of 115 to 470p. USM-quoted **Promotions House** were marked 6 higher to 29p following the share-exchange bid from **WPP**, a couple of pence cheaper at 368p.

Full-year results from **Royal Dutch/Shell** were in line with most analysts forecasts and Shell moved ahead strongly to touch 776p before profit-taking and a mark-down by a leading jobber saw the quotation retreat to a closing level of 757p, a net gain of 12. **Royal Dutch** moved up to £50½ before closing £3 firmer on balance at £49½. Other leading oils were steady at the outset and edged higher in sympathy with Shell following the latter's results. However, the marking down manouevre unsettled the rest of the sector which subsequently gave ground to close with widespread losses on balance. **BP** were finally 10 cheaper at 560p, as were **LASMO**, 140p. **Britoil** slipped from an initial 191p to close 7 down at 180p. **Tricentrol**, due to announce full-year figures on March 26, fell 7 to a 1985-6 low of 108p. Further consideration of the sharp reduction in profits left **Ultramar** down 5 at 198p.

Golds firmer

The firm showing by bullion overnight in New York brought a similarly good performance from the metal price in London and prompted a widespread advance by gold and related sectors of mining markets. Although again overshadowed by business in equity sectors demand for South African golds was persistent and, helped by a downturn in the sterling rate against the dollar, share prices gradually improved throughout the session. The Gold Mines index—down 17.6 over the previous four trading sessions — rallied 8.8 to 331.0. Bullion topped the $350 an ounce level during the morning, but subsequently eased to close a net $3.75 higher at $348.25 an ounce.

Rio Tinto-Zinc featured UK Financials, and moved up to 630p at one point following a substantial traded options business before easing back to close a net 14 higher at 627p. **Hampton Areas** edged up 3 to 120p following Press suggestions of a possible bid from Australia's Elders IXL.

Among Australian mines, **CRA** closed 8 up at 290p, **Peko-Wallsend** 4 firmer at 250p and **Western Mining** a shade better at 167p. In Golds, rises of 15 were common to **GMK** and **Central Norseman** at 395p and 378p respectively, while **Poseidon**, recently firm on talk of a bid from Western Mining, put on 6 to 156p. **Sons of Gwalia** were 3 better at a 1985-86 high of 190p. Among speculative issues, **Southern Ventures** jumped 5 to 67p, **Brunswick** rose 2 to 28p and **Paragon Resources** edged up a penny to 14p.

FINANCIAL TIMES STOCK INDICES

	Mar. 13	Mar. 12	Mar. 11	Mar. 10	Mar. 7	Mar. 6	year ago
Government Secs	86.43	86.86	86.92	87.72	86.92	86.38	79.91
Fixed Interest	92.97	93.21	92.62	91.49	91.10	90.90	83.86
Ordinary ♥	1350.6	1350.7	1326.8	1305.6	1308.8	1299.4	990.1
Gold Mines	331.0	322.2	332.5	330.4	333.5	339.8	485.9
Ord. Div. Yield	4.03	†4.03	4.05	4.10	4.07	4.10	4.57
Earnings, Yld. %(full)	9.58	†9.68	†9.76	†9.88	9.83	9.93	11.28
P/E Ratio (net) (*)	12.95	†12.94	†12.70	†12.54	12.60	12.46	10.79
Total bargains (Est.)	46,772	38,656	40,694	40,348	†36,143	35,500	24,164
Equity turnover £m.	—	988.46	745.21	655.05	900.12	935.43	395.28
Equity bargains	—	43,117	38,251	38,275	40,209	36,099	21,095
Shares traded (ml)	—	435.4	343.5	315.3	406.0	410.6	190.6

♥ 10 am 1345.6. 11 am 1343.3. Noon 1350.1. 1 pm 1351.1. 2 pm 1351.4. 3 pm 1351.1. 4 pm 1350.3. Day's High 1354.0. Day's Low 1342.3. Basis 100 Government Securities 15/10/26. Fixed interest 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974. Latest index 01-246 8026. *Nil=12.46 † Corrected.

HIGHS AND LOWS / **S.E. ACTIVITY**

—	1985/86 High	1985/86 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	86.92 (11/3/86)	78.02 (28/1/85)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	93.21 (12/3/86)	82.17 (28/1/85)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1350.7 (12/3/86)	911.0 (25/7/85)	1350.7 (12/3/86)	49.4 (26/6/40)
Gold Mines	536.9 (15/4/85)	217.6 (5/11/85)	734.7 (15/2/83)	43.5 (26/10/71)

INDICES	Mar. 12	Mar 11
Daily Gilt Edged Bargains	210.8	238.2
Equities Bargains	279.4	247.8
Value	1997.9	1506.3
5 day Average Gilt Edged Bargains	196.2	190.0
Equities Bargains	253.9	242.0
Value	1,707.7	1653.8

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	107	4
Corpns. Dom & Foreign Bonds	2	29	43
Industrials	334	392	771
Financial & Props.	195	90	286
Oils	26	30	66
Plantations	3	6	5
Mines	83	14	84
Others	106	25	63
Totals	750	693	1,322

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thurs Mar 13 1986 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Wed Mar 12 Index No.	Tues Mar 11 Index No.	Mon Mar 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	714.46	−0.8	7.98	3.32	15.76	2.04	720.11	705.16	698.71	551.59
2	Building Materials (24)	755.99	−1.0	8.72	3.59	14.38	1.86	763.92	753.34	737.09	498.17
3	Contracting, Construction (27)	1110.49	−0.6	8.30	4.01	15.96	3.46	1117.33	1095.38	1070.45	692.32
4	Electricals (13)	1946.91	−0.6	7.53	3.90	17.31	1.50	1959.18	1914.15	1876.89	1502.77
5	Electronics (38)	1742.86	−0.9	8.43	2.64	15.60	0.09	1758.99	1743.73	1701.93	1711.38
6	Mechanical Engineering (63)	397.71	−0.6	8.89	3.75	13.73	1.27	399.95	393.68	387.75	297.80
8	Metals and Metal Forming (7)	318.65	−1.2	6.92	5.38	17.65	0.00	322.56	318.67	305.89	191.04
9	Motors (18)	283.50	+0.5	8.30	3.34	14.70	0.73	282.16	276.38	269.82	172.26
10	Other Industrial Materials (22)	1319.33	−1.2	5.74	2.98	20.79	2.60	1335.04	1266.96	1248.45	970.92
21	CONSUMER GROUP (184)	881.95	−0.2	7.63	3.19	16.51	2.93	883.54	869.33	858.26	643.05
22	Brewers and Distillers (24)	861.55	−1.4	9.14	3.59	13.94	4.04	873.90	866.06	863.83	578.92
25	Food Manufacturing (22)	637.83	−0.3	9.53	4.03	13.58	3.75	639.98	628.44	624.46	510.84
26	Food Retailing (14)	1867.94	−0.5	6.42	2.49	21.17	5.78	1877.93	1873.56	1858.72	1444.12
27	Health and Household Products (10)	1492.36	+0.5	5.11	2.17	22.99	0.25	1485.34	1454.74	1450.47	1030.30
29	Leisure (25)	916.51	+1.3	7.45	3.81	17.38	9.78	905.18	892.73	876.08	684.99
32	Publishing & Printing (13)	2233.34	−0.6	7.57	4.08	16.67	2.36	2246.46	2205.00	2185.73	1730.31
33	Packaging and Paper (15)	449.08	−0.5	7.69	3.55	15.46	0.31	451.16	439.97	433.68	321.16
34	Stores (43)	847.49	−0.1	6.31	2.56	21.45	1.86	848.43	830.84	811.05	579.39
35	Textiles (15)	517.34	−0.4	7.45	3.53	15.34	0.28	519.33	503.69	487.12	338.64
36	Tobaccos (3)	1093.29	+0.4	12.87	4.55	9.54	6.49	1089.36	1074.78	1049.53	948.16
41	OTHER GROUPS (86)	837.87	−1.9	8.87	3.56	15.82	4.02	854.07	844.76	831.33	685.41
42	Chemicals (19)	952.12	+0.4	9.79	4.25	12.32	14.35	948.06	937.49	935.58	791.39
44	Office Equipment (4)	256.84	−0.4	7.54	3.92	15.79	3.81	257.79	253.78	250.94	188.09
45	Shipping and Transport (12)	1630.29	−0.5	6.28	3.59	19.73	0.08	1638.20	1628.02	1618.36	1134.84
47	Telephone Networks (2)	994.42	−4.6	8.29	3.30	16.55	0.93	1042.41	1040.60	1012.31	821.38
48	Miscellaneous (49)	1021.38	—	6.80	3.33	18.80	2.34	1020.91	993.20	981.01	855.84
49	INDUSTRIAL GROUP(482)	837.49	−0.8	7.83	3.31	16.14	2.98	843.92	830.42	817.54	638.82
51	Oil & Gas (18)	1176.16	−0.6	18.54	7.71	6.36	21.65	1183.40	1139.50	1101.51	1188.89
59	500 SHARE INDEX(500)	867.90	−0.7	8.95	3.77	13.90	4.44	874.42	858.51	843.62	684.83
61	FINANCIAL GROUP(118)	588.60	+0.5	—	4.25	—	4.02	585.45	578.07	574.21	456.72
62	Banks (7)	598.55	+3.5	19.24	5.60	7.32	11.28	578.14	562.39	562.56	451.34
65	Insurance (Life) (9)	896.78	−0.6	—	3.79	—	0.00	901.87	906.18	901.34	699.12
66	Insurance (Composite) (7)	482.52	−0.2	—	4.21	—	2.47	483.71	476.38	468.84	330.73
67	Insurance (Brokers) (8)	1274.83	−2.5	6.64	3.36	20.13	0.95	1307.38	1286.39	1256.43	1180.67
68	Merchant Banks (11)	352.75	+0.8	—	2.96	—	0.06	350.06	346.56	338.66	237.80
69	Property (51)	728.11	−0.6	5.46	3.40	24.50	1.10	732.27	729.42	730.60	639.74
70	Other Financial (25)	337.10	−0.5	7.20	4.00	16.67	1.33	338.89	335.17	332.91	293.42
71	Investment Trusts (103)	726.90	+0.6	—	3.02	—	3.61	722.77	709.38	702.98	631.72
81	Mining Finance (3)	280.65	+1.6	11.92	5.53	9.76	0.00	276.37	276.45	276.00	288.65
91	Overseas Traders (14)	673.02	−0.8	12.89	6.21	9.28	7.85	678.63	679.90	672.69	663.92
99	ALL-SHARE INDEX(738)	786.59	−0.5	—	3.85	—	4.22	790.28	776.85	765.12	625.62

	Index No.	Day's Change	Day's High	Day's Low	Mar 12	Mar 11	Mar 10	Mar 7	Mar 6	Year ago
FT-SE 100 SHARE INDEX ♣	1616.7	−7.8	1621.6	1610.9	1624.5	1597.1	1572.2	1573.8	1566.1	1299.7

FIXED INTEREST

	PRICE INDICES	Thurs Mar 13	Day's change %	Wed Mar 12	xd adj. today	xd adj. 1986 to date
	British Government					
1	5 years	120.98	−0.34	121.38	—	1.97
2	5-15 years	139.60	−0.54	140.36	—	2.16
3	Over 15 years	147.28	−0.86	148.55	—	3.28
4	Irredeemables	165.96	−0.31	166.47	—	1.62
5	All stocks	135.94	−0.52	136.64	—	2.27
	Index-Linked					
6	5 years	108.85	−0.11	108.97	—	0.81
7	Over 5 years	109.43	−0.11	109.56	—	0.92
8	All stocks	109.33	−0.11	109.45	—	0.90
9	Debentures & Loans	119.58	−0.28	119.92	—	2.07
10	Preference	82.69	−0.01	82.70	—	2.00

	AVERAGE GROSS REDEMPTION YIELDS		Thurs Mar 13	Wed Mar 12	Year ago (approx.)
	British Government				
1	Low	5 years	8.94	8.88	11.01
2	Coupons	15 years	9.15	9.09	10.81
3		25 years	9.15	9.10	10.35
4	Medium	5 years	10.11	9.98	11.96
5	Coupons	15 years	9.63	9.53	11.27
6		25 years	9.43	9.31	10.70
7	High	5 years	10.11	10.09	12.06
8	Coupons	15 years	9.81	9.68	11.49
9		25 years	9.59	9.40	10.86
10	Irredeemables †		9.07	9.04	10.27
	Index-Linked				
11	Inflat'n rate 5%	5 yrs	4.45	4.40	0.0
12	Inflat'n rate 5%	Over 5 yrs	3.76	3.76	0.0
13	Inflat'n rate 10%	5 yrs	3.44	3.38	0.0
14	Inflat'n rate 10%	Over 5 yrs	3.61	3.60	0.0
15	Debs &	5 years	10.67	10.55	12.23
16	Loans	15 years	10.50	10.43	11.89
17		25 years	10.33	10.32	11.77
18	Preference †		11.75	11.75	12.84

♣ Opening index 1620.0; 10 am 1617.8; 11 am 1612.8; Noon 1618.8; 1 pm 1620.2; 2 pm 1621.0; 3 pm 1619.1; 3.30 pm 1616.7; 4 pm 1616.8.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Appleyard	138	+16
Barclays	498	+15
British Telecom	218	−14
Fergebrook	36	+ 6
Granada	272	−10
Jaguar	468	+13
NatWest Bank	783	+42
Phoenix Props. & Fin.	75	+ 4
Shell Transport	757	+12
Trusthouse Forte	184	+ 9
Wellcome	205	+10
Wordplex	55	−33

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed. close	Day's change
BTR	42	495	+35
GKN	32	348	+12
Shell Trans.	32	745	+30
BP	27	570	+23
Reuters B	25	468	+28
Trafalgar House	24	336	+16
Bejam	21	162	−15
Boots	21	254	+12
Lee (Arthur)	21	66	+ 7½
Allied-Lyons	20	310	−10
Marley	20	121	+ 4½
Prudential	20	903	− 9

EUROPEAN OPTIONS EXCHANGE

Series		May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C	$340	87	19,50B	—	—	—	—	$349.70
GOLD C	$350	30	13,50B	3	24	8	6	,,
GOLD C	$360	45	9,40	20	16,50B	—	—	,,
[illegible]								

TOTAL VOLUME IN CONTRACTS: 69,077.

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls July	Calls Oct.	Puts Apr.	Puts July	Puts Oct.
B.P. (*585)	500	[illegible]	[illegible]	93	4	8	20
	550	[illegible]	[illegible]	55	18	25	33
	600	[illegible]	[illegible]	30	60	52	60
[illegible]							

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
P. & O. (*525)	420	110	125	—	2	3	—
	460	70	88	100	3	8	13
	500	45	60	78	12	23	28
	550	20	33	46	38	45	48
[illegible]							

March 13 Total Contracts 33,879 Calls 28,272 Puts 5,607 *Underlying security price.

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or −	Net Divi.	Times covered	Gross Yield	P.E. Ratio
§160	F.P.	—	192	180	✻BPP Hldgs. 10p	192	+3	R5.0	2.2	3.7	17.3
ee	F.P.	—	135	130	Chillington Corp.	130	—5	—	—	—	—
ee	F.P.	—	68	65	Do. Defd.	68	+3				
§105	F.P.	—	155	145	Jarvis Porter 10p	148	+5	R3.3	2.6	3.2	17.1
105	F.P.	14/3	145	112	Macro 45p	136	—2	R1.0	6.5	1.1	20.7
§120	F.P.	—	140	134	✻Menvier-Swain 5p	139	......	R2.5	3.6	2.5	15.5
§127	F.P.	7/3	140	125	✻Microsystems 10p	140	......	R1.75	4.5	1.8	17.6
§145	F.P.	4/4	177	155	PPL 10p	155	—3	u3.5	6.0	2.3	10.8
‖	F.P.	--	900	800	*Rodime 5p*	800		—	—	—	7.2
§80	F.P.	4/4	93	85	✻Spice 5p	91	+1	u2.6	2.2	4.4	11.8
††	F.P.	27/3	85	7	Telfos Warrants	25	......	—	—	—	—
215	F.P.	1/8	227	215	Templeton Galbraith	227	+1	Q5.37c	2.5	1.9	21.3
100	F.P.	27/3	109	95	Throgmorton USM	102	+2	—	—	—	—
120	F.P.	24/3	217	156	Wellcome	205	+10	u2.06	2.8	1.4	28.0
—	F.P.	—	26	8	Westland Warrants	25	+4	—	—	—	—
140	F.P.	7.3	157	140	✻Wickes 40p	156	—1	R2.0	4.7	1.8	18.5

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price £	+ or −
97.203	F.P.	4/4	105¾	92½	Allied Lon. Props. 10¾% 1st Mort. Deb. 2025	104¾	......
88.255	£30	26/4	36¼	30½	American Medical Intl. 9⅝% Uns. Ln. 2011	35	—1¼
§98.287	£25	19/5	34	25⅛	Centrovincial Ests. 11½% 1st Mort Db. 2016	33½	—½
ee	F.P.	—	112p	110p	Chillington 9½% Cum. Red. Pref.	112p	+1
ee	F.P.	—	126p	125p	Devenish (J.A.) 4.5% Cnv 2nd. Pref.	125p	......
—	F.P.	27/4	110p	105p	✻Electron-H'se 6½% Cnv. Cum Red Prf	108p	......
§99.745	F.P.	11/4	112¾	98⅛	First Scot. Am. 11½% Deb. 2016	112½	—¼
§99.11	F.P.	10/4	106	99¼	Hampton Tst. 11⅛% 1st. Mort. Deb. 2025	106	......
94.917	£30	8/5	34	19⅞	Inter-Am Dev Bk 9⅝% Uns Ln 2015	32¾	—1
‖	Nil	25/4	115p	107p	Lawrence (W.) 8.5% Cnv. Cum. Red. Pref.	112p	—1
98.977	F.P.	10/3	107½	99	Mecca Leisure 11½% Deb. 2011	107½	......
—	F.P.	—	100½	100¼	Nationwide Bldg. Soc. 12⅜% 2/3/87	100⅞	—⅛
ee	F.P.	4/4	164p	140p	✻Parkfield 7% Cum. Cnv. Prf. 2005	164p	+2
‖	Nil	16/4	5ppm	5ppm	*Porter Chad. 8% Cnv. Cum. Red. Prf.* '95	5ppm	......
§97.956	£25	25/4	36	25⅛	Samuel Props. 11% 1st. Mort. Deb. 2019	34½	—½
§99.706	F.P.	28/2	109⅛	96	T. T. Finance 11⅞% Gtd. Deb. 2018	109¼	—¼
100	F.P.	—	99½	98	Throgmorton USM 5½% Pt. Cnv. Red. Prf.	99½	......
‖	F.P.	—	117	103	Westland 7½% Cnv. Cum. Prf.	106	......

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985/6 High	1985/6 Low	Stock	Closing price	+ or −
200	Nil	—	75pm	65pm	Cullens Hldgs. 10p	75pm	......
16½	Nil	11/4	2pm	1pm	*Dares Ests. 5p*	1¾pm	+¼
330	Nil	9/4	78pm	50pm	✻High Point Services 10p	77pm	......
255	Nil	30/4	45pm	35pm	KLP 5p	45pm	......
70	Nil	7/4	11pm	5pm	Kent (J.) 5p	7pm	......
94	F.P.	26/3	122	106	Meggitt Hldgs. 5p	122	......
215	F.P.	24/3	300	262	✻*Midsummer Inns 50p*	300	+5
220	Nil	24/4	75pm	58pm	✻ N.M.W. Computers	75pm	+16
115	Nil	25/4	29pm	16pm	Wates (City of London)	28pm	—1
140	F.P.	27/3	180	168	Watshams 5p	180	......
60	F.P.	—	85	63	Westland	77	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. *H Dividend* and Yield based on prospectus or other official estimates for 1986. *R* Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. *t* Indicated dividends: cover relates to previous dividend: p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ■ Allotment price. ✻ Unlisted securities market. ‡‡ *Dealt in under Rule 535 (3).* ♥ Dealt in under Rule 535 (4) (e). †† Units comprising two ordinary, one preference and one warrant.

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 3	Mar 14	June 12	June 23
Mar 17	Apr 4	June 26	July 7
Apr 7	Apr 18	July 10	July 21

For rate indications see end of Unit Trust Service

Call options were taken out in Thomas Locker A, Polly Peck, William Morris Fine Arts, Audiotronic, Marley, Lonrho, Premier Oil, Barratt Developments, Rockware, Hanson Trust, Arncliffe, Arthur Lee, Palma, Mnemos, Good Relations, Sunleigh, Westland, Chloride, BL, Sears, Wellcome and BTR. A put was taken out in Polly Peck, but no doubles were reported.

NEW HIGHS AND LOWS FOR 1985/6

NEW HIGHS (249)

BRITISH FUNDS (1), FOREIGN BONDS (1), AMERICANS (11), CANADIANS (1), BANKS (13), BUILDINGS (13), CHEMICALS (2), STORES (8), ELECTRICALS (7), ENGINEERING (15), FOODS (4), HOTELS (7), INDUSTRIALS (35), INSURANCE (5), LEISURE (6), MOTORS (6), NEWSPAPERS (1), PAPER (2), PROPERTY (8), TEXTILES (4), TRUSTS (92), OILS (1), OVERSEAS TRADERS (2), MINES (4).

NEW LOWS (15)

ELECTRICALS (1) Wordplex, PROPERTY (1) Apex Props, SHIPPING (1) Fisher (J.), TRUSTS (1) Flextech, OILS (4) Aberdeen American Petroleum, Aran Energy, Cons. Intl. Petroleum, Tricentrol, PLANTATIONS (5) Anglo-East Plantations, Cons. Plantations, Harrisons Malaysian Plants., Highlands and Lowlands, Kuala Kepong, MINES (2) Samson Expln., Southern Pacific.

WORLD STOCK MARKETS

AUSTRIA

Mar. 13	Price Sch.	+ or
[illegible]	[illegible]	[illegible]

BELGIUM/LUXEMBOURG

Mar. 13	Price Frs.	+ or
[illegible]	[illegible]	[illegible]

DENMARK

Mar. 13	Price Kr.	+ or
[illegible]	[illegible]	[illegible]

FRANCE

Mar. 13	Price Frs.	+ or
[illegible]	[illegible]	[illegible]

GERMANY

Mar. 13	Price Dm.	+ or
[illegible]	[illegible]	[illegible]

ITALY

Mar. 13	Price Lire	+ or
[illegible]	[illegible]	[illegible]

NETHERLANDS

Mar. 13	Price Fls	+ or
[illegible]	[illegible]	[illegible]

NORWAY

Mar. 13	Price Kroner	+ or
[illegible]	[illegible]	[illegible]

SPAIN

Mar. 13	Price Pts %	+ or
[illegible]	[illegible]	[illegible]

SWEDEN

Mar. 13	Price Kronor	+ or
[illegible]	[illegible]	[illegible]

SWITZERLAND

Mar. 13	Price Frs.	+ or
[illegible]	[illegible]	[illegible]

AUSTRALIA

Mar. 13	Price Aust. $	+ or
[illegible]	[illegible]	[illegible]

AUSTRALIA (continued)

Mar. 13	Price Aust. $	+ or
[illegible]	[illegible]	[illegible]

HONG KONG

Mar. 13	Price H.K. $	+ or
[illegible]	[illegible]	[illegible]

JAPAN

Mar. 13	Price Yen	+ or
[illegible]	[illegible]	[illegible]

JAPAN (continued)

Mar. 13	Price Yen	+ or
[illegible]	[illegible]	[illegible]

SINGAPORE

Mar. 13	Price S $	+ or
[illegible]	[illegible]	[illegible]

SOUTH AFRICA

Mar. 13	Price Rand	+ or
[illegible]	[illegible]	[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO

Prices at 2.30pm March 13

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† No voting rights or restricted voting rights.

MONTREAL

Closing prices March 12

Sales	Stock	High	Low	Close	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total Sales 1,185,982 shares

Indices

NEW YORK-DOW JONES

	March 13	March 12	March 11	March 10	March 7	March 6	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trading vol	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]				

	Feb 28	Feb 21	Feb 14	Year Ago (Approx)
Ind Div Yield %	3.72	3.81	3.93	4.69

STANDARD AND POORS

	March 13	March 12	March 11	March 10	March 7	March 6	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Composite	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Feb 19	Feb 12	Feb 5	Year Ago (Approx)
Ind div yield %	[illegible]	[illegible]	[illegible]	[illegible]
Ind. P/E Ratio	[illegible]	[illegible]	[illegible]	[illegible]
Long Gov Bond Yield	[illegible]	[illegible]	[illegible]	[illegible]

N.Y.S.E. ALL COMMON

March 13	March 12	March 11	March 10	1985/86 High	1985/86 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS

	March 13	March 12	March 11
Issues traded	2,057	2,032	2,081
Rises	859	1,045	705
Falls	768	578	965
Unchanged	430	409	397

NYSE-Consolidated 1500 Actives

Stocks	Traded	Closing price	Change on day
[illegible]	[illegible]	[illegible]	[illegible]

TORONTO

	March 13	March 12	March 11	March 10	1985/86 High	1985/86 Low
Metals & Minls	2,339.7*	2,384.5	2,365.48	2,331.8	2,385.4 (11/3/86)	1748.82 (31/10/85)
Composite	2,975.6*	2,983.9	2,973.58	2,928.3	2,983.9 (12/3/86)	2348.5 (8/1/85)
MONTREAL Portfolio	1,518.4*	1,528.57	1,517.88	1,481.28	1,528.57 (12/3/86)	1,289.48 (4/1/85)

* Indicates pre-close figure

	Mar. 13	Mar. 12	Mar. 11	Mar. 10	1985-86 High	1985-86 Low
AUSTRALIA All Ord. (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Metals & Mins. (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA Credit Aktien (2/1/62)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM Brussels SE (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK Copenhagen SE (3/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE CAC General (31/12/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind Tendance (31/12/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY FAZ Aktien (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank (1/12/53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG Hang Seng Bank (31/7/64)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY Banca Comm Ital. (1972)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN** Nikkei (16/5/49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo SE New (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS ANP-CBS General (1970)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ANP-CBS Indust (1970)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY Oslo SE (4/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE Straits Times (30/12/66)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA JSE Gold (28/9/78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JSE Industrial (28/9/78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN Madrid SE (30/12/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN Jacobson & P (31/12/56)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND Swiss BankCpn (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
WORLD M.S. Capital Intl. (1/1/70)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

** Saturday March 8: Japan Nikkei (c). TSE (c).

Base value of all Indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Continued from Page 49

Stock	Sales (Hhds)	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON Chief price changes (in pence unless otherwise indicated)

RISES			FALLS		
Appleyard	138	+ 16	Tr. 10% Cnv. '90	£99⅝	− ½
Boots	266	+ 12	Ex. 12% '13/17	£126¼	− 1¼
Bridport-G	184	+ 9	Allied-Lyons	303	− 7
Courts (FA)	142	+ 6	BL	45	− 6
Jaguar	468	+ 13	Bejam	157	− 5
Lloyds Bank	563	+ 25	BP	560	− 10
Mellerware	96	+ 11	British Tel	218	− 14
NatWest	783	+ 42	CASE	95	− 20
Pacific Sales	78	+ 18	Dalgety	247	− 18
Promotions H	29	+ 6	Granada	272	− 10
Shell Trans	757	+ 12	Hillsdown	250	− 8
Trusthouse F	184	+ 9	Lee Refrige	270	− 20
Tyne Tees TV A	187	+ 22	Northern Foods	260	− 12
Wellcome	205	+ 10	Sedgwick	395	− 17

Prices at 3pm, March 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21½	10⅝	AAR .9			19	405	20¾	20½	20¾	−⅛
25⅝	10¼	AGS			15	200	22¾	22	22	−⅞
14	9⅞	AMCA				70	u14⅛	13⅝	14⅛	+⅛
53½	37½	AMR			8	5167	50¼	48⅞	49¾	−¾
25¾	18⅝	AMR pf2.18		8.6		4	25¼	25¼	25¼	
12½	7⅝	APL			7	119	11½	11½	11½	−⅛
16¾	10⅝	ARX			14	91	16	15½	15⅝	−⅝
55⅝	32¾	ASA	2a	5.3		400	38½	37¾	37¾	−⅝
25	10½	AVX		2.0		288	16½	15⅞	16	−½
29⅞	21⅞	AZP	2.72	9.3	6	4391	29⅝	29⅛	29⅝	−⅛
76⅞	48¾	AbtLab 1.40		1.8	20	1672	76⅞	74	75¾	+1⅞
31½	19⅝	AccoWd .50		1.6	23	77	u31¾	31⅛	31¾	+¼
24¾	10	AcmeC .40		3.4	17	561	11⅞	11½	11¾	−⅛
9¾	7	AcmeE .32b		3.7	16	14	8⅞	8¾	8¾	
19¾	16⅞	AdaEx 1.90e		10		92	19⅛	18⅞	19	−⅛
28	14	AdmMl .40		1.6	11	28	25¾	25½	25⅝	−⅛
20⅝	8¾	AdvSys .36t		6.8	18	279	20	19⅝	19⅞	+½
34	22⅛	AMD				3624	32	31½	31⅝	−⅛
12⅝	8¼	Adobe n				47	10⅝	10¼	10¼	−⅛
16⅝	14⅝	Adob pf1.84		11.		31	16½	16½	16½	
18½	15¼	Adob pf2.40		13.		626	18½	18⅜	18½	+⅛
17⅝	8⅛	Advest .12a		.7	16	319	u17¾	17½	17¾	+⅛
64	39⅛	AetnLf 2.64		4.1	17	9753	u64¼	62¾	64⅛	+1⅞
57½	52¼	AetL pf4.97e		9.4		210	52⅞	52¾	52¾	−⅛
68½	27¾	Ahmns 1.38		2.2	8	1445	64¼	63½	64	+¼
4¾	2½	Aileen			83	60	4½	4	4⅛	
80¾	46⅞	AirPrd 1.48		1.9	16	1183	79⅝	78⅝	78¾	−1⅛
24⅜	17½	AirbFrt .60		2.4	18	237	u24½	24⅛	24½	+¼
2⅛	⅜	AlMoare 50c				402	½	15-32	½	
29¼	25	AlaP pf2.52e		9.3		1138	27¼	27	27	−¼

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from Page 48

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	4⅞	PanPr				3419	14½	13¾	14⅛	−⅛
16	5⅝	Pardyn				985	8½	8⅛	8½	+⅛
18⅞	11½	ParkEl .06e		.3	18	103	18¾	18½	18½	+⅛
7	3½	ParkDrl.08		1.9		284	4⅛	4⅛	4⅛	−¼
45¼	28¾	ParkH	1.12	2.5	15	841	45¼	43½	44¼	+1
4¼	3¼	PatPtr s			13	71	3⅝	3½	3½	−⅛
16	11½	PayNP .64		4.2	19	157	15⅛	15⅛	15¼	+⅛
23⅞	13½	PayCsh .16		.7	24	3298	22	21¼	21⅝	−½
15-16	¼	Peagp				86	7-16	13-32	13-32	
58⅞	43	PenCen			20	678	56	55⅞	55⅞	+⅜
67½	45⅞	Penney2.36		3.6	12	1245	66⅛	65½	65¾	−½
33¼	23½	PaPL	2.56	7.8	12	852	32⅞	32⅜	32⅜	−⅜
48	33½	PaPL	pf4.40	9.7		z870	46½	46⅜	46⅜	−⅜
92½	64¾	PaPL	pf8.60	9.8		z100	88	88	88	−4
29¼	25⅞	PaPL	dpr3.42	12.		1	28⅜	28⅜	28⅜	
29⅛	23½	PaPL	dpr2.90	10.		1	28¼	28¼	28¼	−¼
87½	62¾	PaPL	pr8.40	9.9		z50	85	85	85	−½
29⅞	26⅛	PaPL	dpr3.25	11.		6	28⅜	28⅜	28⅜	+⅛
105¼	82	PaPL	pf9.24	9.0		221	103¼	102	103	
105½	90¾	PaPL	pr 11	11.		z50	103	102	102	
88	60	PaPL	pr 8	10.		101	u80¼	80	80¼	+11
88	65½	PaPL	pr6.70	10.		z120	66½	66½	66½	
51½	34	Pennwlt 2.20		4.4		54	50	49¾	49½	−¼
29⅛	21⅞	Pennw	pf1.60	5.6		16	29	28½	28¾	−¼
91	38⅛	Pennzol2.20		4.2	24	653	53½	52⅞	53	−½
23⅞	14⅜	PeopEn .32		6.3	9	x972	21⅛	20⅝	21	−⅞
29⅜	17⅜	PepBoy s .20		.8	21	170	26⅞	26⅛	26½	
82⅞	48	PepsiCo1.78		2.2	14	3188	82⅛	81½	82	+⅛
38⅞	22⅛	PerkEl .60		1.7	20	832	35¼	34⅝	35	+¼
9½	6⅛	Prmian1.04e		16.	6	2236	6½	6⅜	6½	
[illegible]										
72⅞	39¼	Wolwth	2	2.8	13	380	71¾	71⅛	71½	−⅛
5⅝	3	WrldAr				165	4⅞	4⅝	4¾	
111⅞	57¾	Wrigly 1.60a		1.7	17	102	107⅞	105	107⅞	+⅞
4½	2⅝	Wurltzr				27	4	4	4	
17½	10⅜	WyleLb .32		1.9	72	509	16⅝	16½	16⅝	+⅛
23⅞	15	Wynns	.60	3.4		78	17⅝	17½	17⅝	+⅛
X Y Z										
72	42⅞	Xerox	3	4.2	16	4905	u72¼	71¼	71¾	+¼
57⅞	49	Xerox pf5.45		9.7		19	56¼	56	56¼	+⅛
37	26	ZaleCp 1.32		3.7	14	86	36	35½	35¾	−⅜
15½	3½	Zapata .03j			32	529	4⅝	4⅜	4½	
70¾	40¼	Zayre s .48		.7	22	1179	70¾	69½	70⅜	+¾
26⅞	16¼	ZenithE				2131	26	25⅜	25⅞	+¼
30½	9⅞	ZenLbs.10i		.4	19	880	28⅜	26½	26⅛	+1½
22⅜	13¾	Zero. s				368	22	21¼	21¼	−⅝
45¾	26⅞	Zurnin 1.32		3.0	16	31	44⅝	44⅛	44⅝	[illegible]

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, March 13

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 47

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Record run checked by profit-taking

TURNOVER in the US stock markets was much reduced yesterday, leaving share prices responding with uncertainty to weakness in federal bonds and oil futures, *writes Terry Byland in New York.*

The Dow edged to new peaks at mid-session but the broader market turned sluggish.

Bonds plunged by a full point after *federal data on February retail sales* sparked off bond futures selling. Long-*term yields returned to* the 8 per cent plus range and short-term rates remained firm.

Credit markets, disappointed with the dip of only 0.1 per cent in the retail statistics, face further tests today when federal data on producer prices and industrial production are due.

Also causing nervousness in the bond market was the firmer oil price trend in US markets ahead of this weekend's meeting of Opec ministers.

The stock market opened down, in the *shadow of the credit sector, but buyers* appeared at the lower levels, turning blue *chips higher.* Progress was uncertain, however, and the advance was periodically checked by profit-taking.

At the close the Dow Jones industrial average was up 8.26 at 1,753.71.

The Dow was boosted by strong gains in tobacco stocks after what a Philip *Morris* executive described as *"a great victory"* in the industry's product liability battles. Philip Morris jumped \$4½ to \$113¾ and R. J. Reynolds \$1¾ to \$40⅝, both heavily traded after a federal appeals court ruled that internal corporate documents need not be made publicly available.

The retail sector brightened after K mart allayed fears over retail sales with news of increased earnings in the final quarter of last year. At \$42, K mart, the leading US discounter, gained \$1¼, with heavy buying lifting the stock to the head of the NYSE actives list. Strong in K mart's wake was Federated Department Stores, up \$2¾ at \$77½.

Oils gave up a fraction of this week's gains as several major producers dis*closed plans for severe cuts in this year's* capital spending plans. Exxon dipped \$⅝ to \$54¾ and Chevron \$¼ to \$37¼, both after announcing spending cuts. Atlantic Richfield eased \$¾ to \$52¼, but Mobil resisted the trend with a gain of \$¼ to \$29¾.

The Detroit carmakers moved cautiously as the industry reported the latest sales statistics. Ford, reported to be on the verge of a management reshuffle, added \$⅝ to \$72⅝, while General Motors, at \$79, showed no change.

IBM steadied after the selling bout seen late on Wednesday, edging up \$⅛ to \$149⅛ in brisk turnover. Digital equipment was strong, jumping \$2¾ to \$167⅛ but gains in the rest of the sector were modest.

Western Air, the latest takeover feature, continued to boil away in heavy trading, although the price shaded \$½ to \$11¼. Domestic carriers edged around their overnight levels without attracting much attention. Delta, at \$41⅞, firmed \$¾.

Westinghouse Electric dipped \$⅞ to \$50⅝ in a cautious response to allegations of bribery on contracts in the Philippines. Western Union, which is planning a restructuring in the face of its financial problems, fell \$1⅛ to \$50⅝.

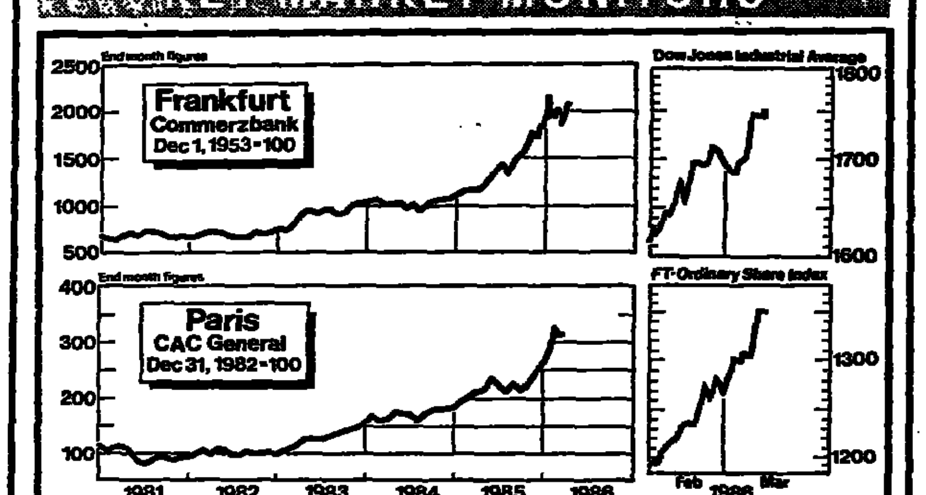
This week's rise in short-term market rates brought profit-taking in banks, where J. P. Morgan lost \$1⅝ to \$76⅛ and Chase Manhattan \$1¼ to \$46⅝.

Monsanto stood out in a dull chemicals sector, with a gain of \$1½ to \$59¾. But uncertainty over the next phase of the dollar left drug stocks mixed, with Bristol-Myers a weak spot, down \$1⅛ at \$71⅛.

With federal funds trading steadily at 7½ per cent, which is inside the market's preferred range, short-term and money-market rates *showed little change from* overnight. The credit market, which began the week hoping for further cuts in bank prime rates or even in federal discount rates, has become unsettled by renewed firmness in federal funds.

The bond market was flat from the opening, as traders waited for the federal authorities to issue further economic data, and for the Opec ministers to disclose their latest views on world oil prices.

KEY MARKET MONITORS



STOCK MARKET INDICES

	March 13	Previous	Year ago
NEW YORK			
DJ Industrials	1,757.66*	1,745.45	1,261.70
DJ Transport	811.58*	806.18	608.61
DJ Utilities	188.24*	188.40	148.44
S&P Composite	233.70*	232.54	178.19
LONDON			
FT Ord	1,350.6	1,350.7	990.1
FT-SE 100	1,616.7	1,624.5	1,295.2
FT-A All-share	786.59	790.28	625.62
FT-A 500	867.90	874.42	684.53
FT Gold mines	331.0	322.2	485.9
FT-A Long gilt	9.59	9.40	10.81
TOKYO			
Nikkei	14,414.66	14,238.13	12,419.30
Tokyo SE	1,153.45	1,145.06	986.53
AUSTRALIA			
All Ord.	1,085.8	1,076.8	787.4
Metals & Mins.	522.4	517.4	471.2
AUSTRIA			
Credit Aktien	115.02	114.15	72.42
BELGIUM			
Belgian SE	3,346.73	3,343.67	2,310.05
CANADA			
- *Toronto*			
Metals & Minls	2,339.7*	2,364.6	2,024.0
Composite	2,975.6*	2,993.9	2,588.9
Montreal			
Portfolio	1,518.4*	1,528.57	129.10
DENMARK			
SE	239.83	237.91	174.44
FRANCE			
CAC Gen	315.3	315.6	208.4
Ind. Tendance	119.9	119.2	113.1
WEST GERMANY			
FAZ-Aktien	688.43	688.87	419.27
Commerzbank	2,088.5	2,097.3	1,214.3
HONG KONG			
Hang Seng	1,612.67	1,590.39	1,335.82
ITALY			
Banca Comm.	635.89	614.69	276.98
NETHERLANDS			
ANP-CBS Gen	263.2	261.6	209.7
ANP-CBS Ind	251.9	251.8	165.6
NORWAY			
Oslo SE	348.93	345.94	328.14
SINGAPORE			
Straits Times	584.86	601.94	831.31
SOUTH AFRICA			
JSE Golds	-	1,200.3	924.6
JSE Industrials	-	1,151.6	846.6
SPAIN			
Madrid SE	150.23	143.45	111.36
SWEDEN			
J & P	1,945.46	2,203.52	1,444.17
SWITZERLAND			
Swiss Bank Ind	586.6	588.9	428.9
WORLD	Mar 12	Prev	Year ago
MS Capital Int'l	292.7	290.3	196.6

COMMODITIES

(London)	March 13	Prev
Silver (spot fixing)	397.60p	383.60p
Copper (cash)	£987.50	£980.50
Coffee (Mar)	£2,504.50	£2,522.50
Oil (spot Arabian Light)	n/a	n/a

GOLD (per ounce)

	March 13	Prev
London	\$348.25	\$344.50
Zürich	\$349.45	\$344.25
Paris (fixing)	\$352.16	\$345.84
Luxembourg	\$349.60	\$344.80
New York (April)	\$349.2	\$353.00

CURRENCIES

(London)	US DOLLAR March 13	US DOLLAR Previous	STERLING March 13	STERLING Previous
\$	-	-	1.45975	1.4675
DM	2.2955	2.284	3.35	3.3525
Yen	179.9	180.25	262.5	264.5
FFr	7.06	7.0275	10.305	10.3125
SFr	1.932	1.934	2.82	2.8375
Guilder	2.591	2.578	3.78	3.7825
Lira	1,557.5	1,552.5	2,273.0	2,278.25
BFr	46.9	46.7	68.45	68.55
C\$	1.394	1.3972	2.0381	2.05325

INTEREST RATES

	March 13	Prev
Euro-currencies (3-month offered rate)		
£	11¾	11 13/16
SFr	3⅞	3 15/16
DM	4½	4 7/16
FFr	14¼	14⅞
FT London Interbank fixing (offered rate)		
3-month US\$	7½	7 7/16
6-month US\$	7 7/16	7 7/16
US Fed Funds	7½*	7 9/16
US 3-month CDs	7.05*	7.30
US 3-month T-bills	6.58*	6.81

US BONDS

Treasury

		March 13* Price	March 13* Yield	Prev Price	Prev Yield
8	1988	101 12/32	7.233	101 14/32	7.183
8⅝	1993	105 22/32	7.663	106 6/32	7.572
8⅞	1996	107 10/32	7.801	108 3/32	7.693
9¼	2016	113 23/32	8.017	115 3/32	7.918

Treasury Index

Maturity (years)	March 13* Return index	March 13* Day's change	Yield	Day's change
1–30	147.16	−0.84	7.76	+0.11
1–10	140.71	−0.45	7.58	+0.10
1– 3	132.75	−0.14	7.36	+0.07
3– 5	142.89	−0.41	7.64	+0.10
15–30	170.21	−2.23	8.41	+0.14

Source: Merrill Lynch

Corporate	March 13* Price	March 13* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101¾	9.85	101¾	9.85
3⅞ July 1990	89½	6.75	89½	6.75
8¾ May 2000	97½	9.05	98¼	8.95
Xerox				
10⅞ Mar 1993	108	8.21	108.21	8.15
Diamond Shamrock				
10⅞ May 1993	101.21	10.25	101⅞	10.20
Federated Dept Stores				
10⅞ May 2013	108¾	9.70	109⅞	9.59
Abbot Lab				
11.80 Feb 2013	114½	10.20	114½	10.20
Alcoa				
12¼ Dec 2012	113¼	10.53	113½	10.70

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Mar	96-03	96-23	95-23	97-18
US Treasury Bills (IMM) \$1m points of 100%				
June	93.71	93.72	93.68	93.73
Certificates of Deposit (IMM) \$1m points of 100%				
Mar	92.81	92.81	92.80	92.84
LONDON				
Three-month Eurodollar \$1m points of 100%				
June	92.71	92.75	92.68	92.75
20-year Notional Gilt £50,000 32nds of 100%				
June	119-24	120-10	119-19	120-10

* *Latest available figures*

TOKYO

Undeterred by rise in margin level

HIGHER margin requirements failed to subdue hectic buying in Tokyo yesterday, with the Nikkei average scoring its 10th consecutive rise in the fourth most active trading session on record, *writes Shigeo Nishiwaki of Jiji Press.*

The market indicator registered its seventh largest rise of 176.53 to close at 14,414.66, another record. Trading rose from 1,108.95m shares on Wednesday to 1,292.05m. Gains and losses were virtually balanced at 444 to 449, respectively, *with 103 issues unchanged.*

The Tokyo Stock Exchange raised its *margin requirements* by 10 per cent to 60 per cent to take some heat out of the *market.* But investors, who believed interest rate cuts would lead to higher world stock prices, remained undaunted and continued to buy, pushing prices up further.

Power stocks remained popular, with Tokyo Electric Power climbing Y40 to Y3,470 and Chugoku Electric Power soaring Y100 to Y2,020. But caution set in as some power stocks have already reached record highs this week. Kansai Electric Power lost Y10 to Y2,490 and Tokyo Gas finished Y7 up at Y382, bolstered by the day's heaviest trading of 56.7m shares.

Nippon Express, popular for its urban redevelopment projects, rose Y16 to Y747. Mitsubishi Heavy Industries, second busiest with 43.9m shares traded, firmed Y11 to Y404, and Nippon Steel, third most active with 40.4m, added Y1 to Y169.

Some railways also gained ground on *news of urban redevelopment projects.* Among them were Odakyu Electric Railway, Y48 up at Y750, and Keisei Electric Railway, Y31 up at Y456.

Nippon Oil jumped Y76 to Y969, while Koa Oil scored a daily limit increase of Y100 to Y676. Nippon Mining added Y35 to Y449 on brisk sales by its oil division and rumours of speculator buying.

Among biotechnologies, Kyowa Hakko rose Y200, its daily limit, to Y1,470, and Dainippon Pharmaceutical closed at Y2,980, up Y90. Elsewhere, Tokio Marine and Fire was Y40 up at Y1,050 and Nomura Securities Y30 up at Y1,480.

Bond trading was calm *with most* dealers retreating to the sidelines as yields on major issues tumbled below 5 per cent on Wednesday for the first time in post-war history. The yield on the benchmark 6.2 per cent government bond maturing in July 1995 fell to 4.965 per cent from 4.980 per cent.

Dealers are mainly bullish about the medium-term outlook of the bond market as they expect US and Japanese interest rates to go lower. But caution set in after Wednesday's precipitous drop in yields and dealers kept away from the market in the absence of fresh incentives.

AUSTRALIA

INDUSTRIALS and gold boosted Sydney to another record high in active trading, leading the All Ordinaries index up 9.1 to 1,085.8.

Takeover activity involving BHP and Bell Resources provided much of the session's interest. Bell Resources *jumped 40 cents to A\$5.50, while BHP* slipped 4 cents to A\$6.40.

Among metal and gold mining shares CRA added 10 cents to A\$6.06, Western Mining *4 cents to A\$3.52 and Kidston* Gold 20 cents to A\$6.30.

Banks closed generally mixed, following some profit-taking. ANZ slipped 4 *cents to A\$5.46, Westpac was up 10 cents* at A\$5.68 and National Australia lost 2 cents to A\$5.78.

Oil and gas stocks were also mixed with Santos up 5 cents to A\$3.85 and Bridge Oil down 5 cents to A\$1.65.

Elsewhere, CSR firmed 5 cents *to* A\$310, News Corp jumped 30 cents to A\$14.50, Elders IXL rose 5 cents to A\$3.55 and Lend Lease added 30 cents to A\$8.00.

EUROPE

Rate cuts continue to boost Paris

CALM SET in after the storm in Europe this week and most major bourses paused yesterday to catch their breath as profit-takers moved in to take gains.

There were some exceptions, however. **Paris** *continued to edge higher,* aided by a dip in the overnight call money rate and a *fall in French inflation.*

Gains were recorded despite nervousness *ahead of the national legislative* elections this weekend.

As a result of lower interest rates, building issues rose on hopes that cheaper money would be directed towards the purchase of property. Lafarge-Coppee, which led the sector, put on FFr 48 to FFr 1,058 while Colas, a strong performer on Wednesday, continued to climb with a FFr 30 gain to FFr 560. Maisons Phenix added FFr 8 to FFr 216.

The rising dollar was a positive influence on export oriented food and drinks issues. Pernod Richard added FFr 13 to FFr 993, *Beghin-Say gained FFr 21 to* FFr 405, while rosebush-to-champagne group Moët-Hennessy slipped FFr 4 to FFr 2,125.

Car issues benefited from the dollar's upturn and Peugeot put on FFr 17 to FFr 890. Michelin gained FFr 96 to FFr 2,489.

Optimism was encouraged by comments from Bank of France Governor Michel Camdessus over the possible abolition of exchange controls, made possible by successful deflationary policies which seem to be holding down wage costs and improving corporate profits.

Madrid posted a record rise on the back of enthusiasm fostered by Spain's convincing vote to remain in Nato. The *Madrid Stock Exchange index rose* 6.78 to 150.23.

In shares traded, 86 rose while two fell.

Utilities were the rally leaders while banks also put in a fine performance. Banco Vizcaya gained Pta 50 to Pta 1,056 and Banco Central added Pta 25 to Pta 565.

After a favourable position-squaring session on Wednesday, **Milan** climbed to a peak yesterday in extremely heavy trading.

The Banca Commerciale index surged 21.2 to a record 635.89.

Some major issues, including Banca Commerciale, Buitoni and Banco di Roma, were suspended after exceeding the permitted 20 per cent daily gain.

Fiat moved L25 ahead to L9,880, while Pirelli, buoyed by improved profits, advanced L220 to L8,070.

A central bank cut in the discount rate fuelled interest in **Stockholm** and blue chips moved higher across the board.

Ericsson gained SKr 2 to SKr 265 ahead of its 1985 results, Volvo added SKr 3 to SKr 309.

Elsewhere, bourses turned mixed to lower *on profit-taking.*

In **Frankfurt,** the Commerzbank index *slipped* 8.8 to 2,088.5 as only a few minor gains were recorded.

Chemical issues were hardest hit with drops of DM 8 to DM 342 recorded for Bayer, DM 5.60 to DM 319.90 for BASF and DM 5.40 to DM 323.50 for Hoechst.

Banks were mixed as profit-taking offset the decline in interest rates. Commerzbank added DM 1 to DM 318.

Bonds eased as investors *consolidated* their position. The Bundesbank gave sizeable encouragement, *purchasing* DM 165.9m worth of domestic paper after selling *DM 71.4m in the previous* session.

Rises continued to outnumber falls in **Amsterdam** where prices ended mixed in a quiet session.

Royal Dutch was the favourite after announcing lower profits for 1985 but a higher dividend. It added Fl 6.80 to Fl 187.50.

Bonds were lower where changed.

Profit-taking clawed at gains in **Zurich** and **Brussels.** Swissair dropped SFr 35 to SFr 2,095 after higher profits, an increased dividend and a rights issue proposal.

CANADA

ACTIVE trading saw Toronto trade low*er after the record gains in the previous* session.

Much of the decline was led by golds, metals and minings. Lac Minerals traded C\$½ off at C\$22½, Noranda C\$¼ to C\$18¼, Dome Mines C\$¼ to C\$12¾ and Alcan C\$⅛ to C\$47½.

In Montreal industrials and banks traded slightly down, while utilities generally showed small gains.

LONDON

CAUTION dominated London following Wednesday's *record rise.* However, some equity leaders were able to consolidate gains and the FT Ordinary index closed 0.1 off at 1,349.7.

The pace slackened early on after British Telecom announced disappoint*ing third-quarter results.* It closed 14p down at 218p.

Banks, however, showed some good gains in active trading on news that NatWest, up 42p at 783p, was the subject of a "buy" recommendation. Barclays added 15p to 498p.

Concern that the expected cut in UK interest rates could be delayed left longer-dated gilts with widespread falls ranging to 1¼.

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HONG KONG

BARGAIN-HUNTERS took Hong Kong sharply higher after the sharp falls in the previous session.

Properties led the advance and the Hang Seng index closed 22.30 higher to 1,612.67.

At the end of the session Hutchison Whampoa was 40 cents up to HK\$24.20, Jardine Matheson 20 cents to HK\$11.60 and Swire Pacific 75 cents to HK\$30.75. Cheung Kong, however, was 40 cents down at HK\$18.50.

Banks closed mixed with Hang Seng down 25 cents at HK\$44.50, East Asia unchanged at HK\$19 and Hongkong and *Shanghai up 15 cents at HK\$7.70.*

SOUTH AFRICA

GOLDS continued to firm in Johannesburg as the bullion price showed further strength. Trading, however, was quiet and gains were generally light.

Among golds Buffelsfontein added *R2.50 to R74.25, Free State Consolidated* was R1.25 up at R31.50, Gold Fields *firmed a similar amount* to R40.25 and Driefontein rose 25 cents to R52.50.

The higher trend was reflected in other minings, with Rustenburg Platinum *adding* R1 *to* R31.50 and diamond share De Beers 30 cents to R20.10.

Mining financial Anglo American closed 55 cents higher at R42.

Industrials closed generally mixed. AECI added 50 cents to R11.00, Barlow Rand 10 cents to R15.30, while Rembrandt slipped R1 to R50

SINGAPORE STOCK EXCHANGE

Despondency sets in as bull run ends

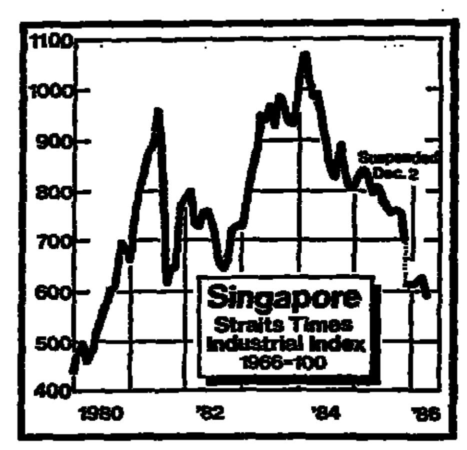
FORCED selling of blue-chips yesterday pushed the Singapore stock market to its lowest levels in six years as growing despondency overtook investors, *writes Chris Sherwell in Singapore.*

Bankers and *broking analysts said* the fall appeared to end a period of false *buoyancy after the sharp plunge in* prices which followed the unprecedented *closure* of the market in early December.

The three-day shutdown was a reaction to worries over forward share dealings by Pan-Electric Industries, a local company then being placed into receivership. It generated concern about the viability of local broking firms at a time when the Singapore economy was contracting for the first time in 20 years.

Many analysts now believe the market will continue its decline, which they say is attributable to a squeeze by nervous bankers on troubled brokers and to growing concern about political developments in neighbouring *Malaysia.*

The OCBC index of 55 stocks – the



best guide to market performance – fell another 12.17 points yesterday to 424.48, a level not seen since early 1980. The more widely watched Straits Times index of 30 industrial stocks fell 17.08 points to *584.86,* a 43-month low.

Yesterday's fall of the Straits Times index below the psychological 600-barrier was the second since the market's closure. Before Christmas the index hit 596.18, but it has since remained above 600, thanks largely to strong buying interest *in Singapore International Airlines,* the national flag carrier which of*fered shares to the public in November.*

Although volume was not heavy yesterday, *selling was across-the-board and* many blue chips fell. Pressure by bank *creditors on brokers filtered through to* their clients, and margin calls led to the forced selling. *Compounding the difficulty* was the sale of shares by brokers being forced *into liquidation – so far* four firms are victims of the forward-share contract debacle, and more *may* follow.

Latest worries over Malaysia focus on the resignation of Datuk Musa Hitam as Deputy Prime Minister, due to take effect this weekend, and further bombings in the East Malaysian province of Sabha, making emergency rule from Kuala Lumpur more likely.